

A man in a yellow shirt and hat is herding a large flock of sheep in a lush, green forest. The sheep are gathered in a line, and the man is standing behind them. A large, tall tree stands prominently in the background, and the forest is dense with various other trees and foliage. The scene is captured in a cinematic style with soft lighting.

*Heinz*

**THE H.J. HEINZ  
COMPANY  
1989  
ANNUAL REPORT**

**On our cover is a man at work. Maurice Tully raises sheep in Armidale, Australia, as did his father and grandfather before him. He has a wife and two children and often regrets that he hasn't enough time to spend with them. The details of his life are specific, his concerns are universal.**

**For this year's annual report, we visited the Tullys and seven other families around the world—at work, at play and at home—in our quest to understand our markets. This book is about those families and our marketing response to them.**

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## HIGHLIGHTS

*H. J. Heinz Company and Subsidiaries*

(dollars in thousands except per share data)

	1989	1988	1987
Sales	<b>\$5,800,877</b>	\$5,244,230	\$4,639,486
Operating income	<b>803,490</b>	688,013	592,985
Net income	<b>440,230</b>	386,014	338,506
Per common share amounts:			
Net income	<b>\$ 3.34</b>	\$ 2.91	\$ 2.47
Dividends	<b>1.39</b>	1.21	1.00½
Book value	<b>13.82</b>	12.47	10.81
Capital expenditures	<b>\$ 323,325</b>	\$ 238,265	\$ 184,730
Depreciation expense	<b>125,935</b>	119,425	99,218
Net property	<b>1,366,023</b>	1,253,939	1,036,760
Cash, cash equivalents and short-term investments	<b>\$ 237,729</b>	\$ 252,846	\$ 564,676
Working capital	<b>659,284</b>	589,721	822,059
Total debt	<b>962,321</b>	780,330	876,620
Shareholders' equity	<b>1,777,238</b>	1,593,856	1,392,949
Average shares for earnings per share	<b>131,784,034</b>	132,705,945	136,834,666
Current ratio	<b>1.59</b>	1.55	1.79
Debt/invested capital	<b>35.1%</b>	32.9%	38.6%
Pretax return on average invested capital	<b>31.4%</b>	30.0%	29.5%
Return on average shareholders' equity	<b>26.1%</b>	25.8%	24.6%

### Return on Average Shareholders' Equity (in percent)

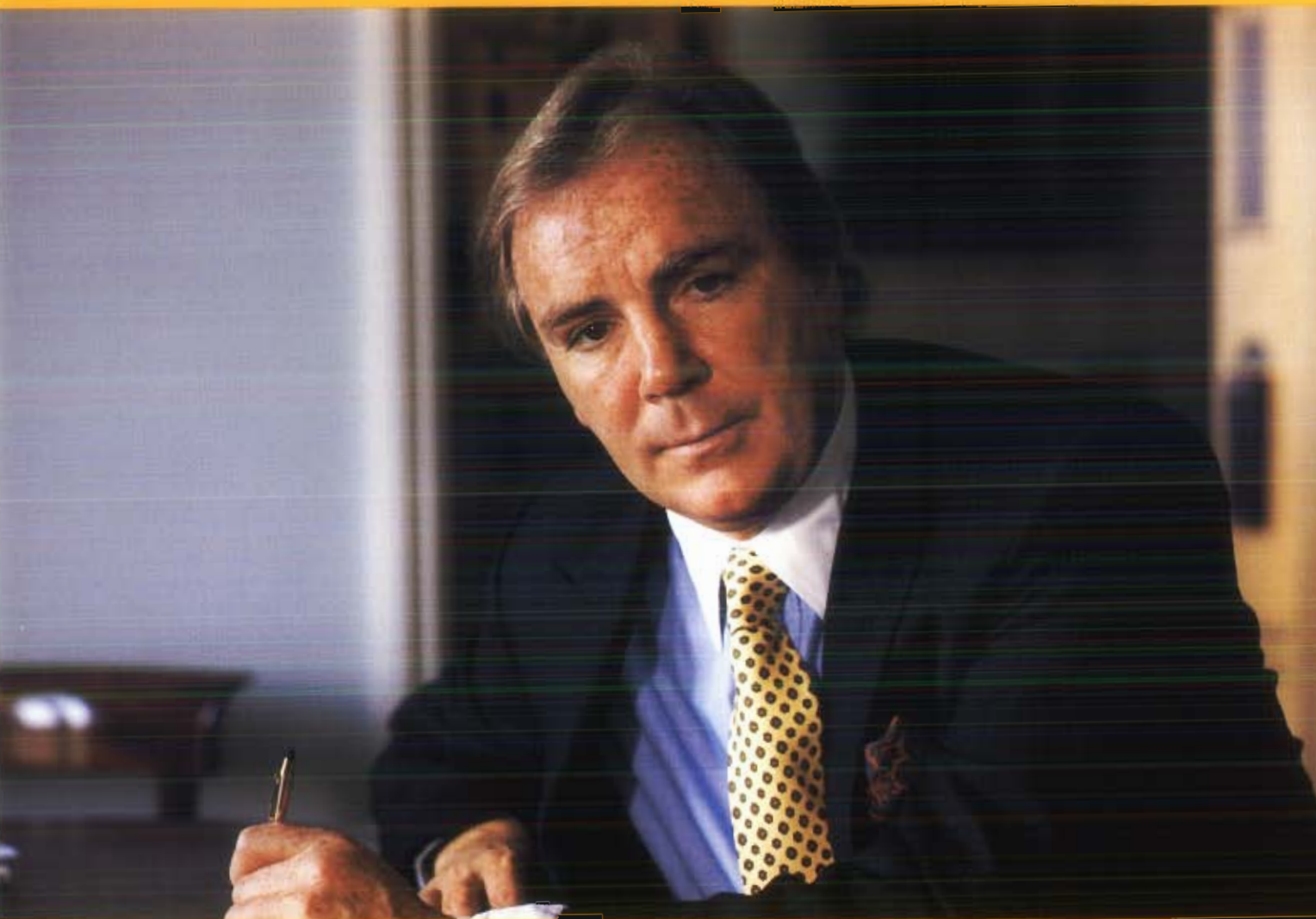


### Dividends and Earnings per Common Share

(in dollars)

■ Dividends  
 ■ Earnings per share  
 Five-Year Compound Growth:  
 Dividends 15.5%  
 Earnings per share 14.5%





Dr. Anthony J.F. O'Reilly  
Chairman, President and Chief Executive Officer

In the past decade, we at Heinz have expanded and strengthened our big brands, extended our geographic reach, captured profitable niches and created in Weight Watchers a unique brand franchise with global growth potential. This was accomplished by pursuing focused, prudent strategies with flair and imagination.

Ten years ago, when I assumed the duties of chief executive officer, our total market capitalization was \$934 million. Today, with the same number of shares in issue, it is approximately \$6.9 billion, which reflects our financial success as well as the market's recognition of the value of our brands and its confidence in Heinz management.

We have expanded our operating profit margin each year of the decade, moving from 8.2% in 1979 to 13.9% in 1989. At the same time, marketing expenditures to support our big brands and new product initiatives have more than tripled, from \$136 million to \$483 million. As a percent of sales, marketing has grown from 5.6% in 1979 to 8.3% in 1989.

Heinz shareholders have clearly benefited from this success. Dividends have grown at an annual compounded rate of 16.2%, and the total return to Heinz shareholders over the decade, including price appreciation and dividends, has been a remarkable 966%, equivalent to a 26.7% annual compounded return.

The figures on the first page confirm the good news. Heinz posted, in convincing fashion, its 25th consecutive year of financial growth in Fiscal 1989. By any measure—sales, income, earnings per share, return on equity, profit margins—your company has set a new and higher standard for performance and value. This past year, our gross profit margin stood at 38.8% of net sales, decidedly superior to the 33% margin recorded for 1979. As part of our growth strategy, these expanding margins are applied to support new and existing brands, while consolidating our record of brand leadership.

What does the next decade promise? We are witnessing momentous changes around the world as new political, economic, demographic and consumer forces break the old molds and alter the face of nations. At Heinz, we deploy task forces of managers and researchers to track these changes so that we can respond quickly and vigorously. Take three examples, all of which present challenges to Heinz: the U.S.-Canada trade agreement; the accelerated progress towards the integrated European Community market of 1992; and the emergence of economic liberalism in Eastern Europe. In the case of Europe, we should not assume, however, that the distinct national and cultural characteristics of European trade will quickly disappear or that the timetable of European

union is certain. As an Irish friend quipped: "Europe 1992—we know it's coming. We just don't know when."

Today, Heinz brands remain a surrogate for reliability and security in an uncertain world, and they increasingly evoke healthier and more convenient lifestyles. Ten years ago, we anticipated the burgeoning health and wellness trend by purchasing Weight Watchers. This company, bought for \$100 million, is now positioned to become the world's preeminent force in healthy eating.

We are proud of our reputation as an intelligent marketer who has mastered the subtleties of changing lifestyles. This report focuses on eight families. We hold these families as a mirror to the world of Heinz. In accompanying interviews, senior Heinz executives confirm that whereas our strategy is global, our markets are local.

In 1989, we completed a restructuring following our significant acquisitions in the pet food industry. Our seafood and pet food operations became separate entities, taking the names StarKist Seafood Company and Heinz Pet Products Company. Our StarKist brand, long a staple in the diet of Americans, is gaining increasing value among consumers seeking low-fat, high-protein nutrition. And, in pet food we stand as one of the top three companies in the United States.

Finally, let me say that the growth of any food company must be dependent not only on seizing opportunities in changing world markets but also on generating internal initiatives which foster innovation and a competitive entrepreneurial spirit.

Following upon the success and continued application of our low cost operator program at Heinz, we have added Total Quality Management (TQM), which is galvanizing our entire corporation. Because of TQM, Heinz is now driven by the principle that we should get everything right the first time. Our calculations show TQM to be a source of increased margins and improved quality in our products and procedures.

For you, the shareholders, TQM, together with our clear sense of strategy, will result in an even more dynamic Heinz and ensure that the achievements of the past 10 years are but a precursor of greater success.



Dr. Anthony J. F. O'Reilly  
Chairman, President and Chief Executive Officer



**"OUR  
MARKET  
IS THE  
WORLD."**



CASTON NYAWO, ZIMBABWE

**With these words, Henry J. Heinz founded**

**our company more than 100 years ago.**

**Today, his words are truer than ever. Of course, the world has changed and so has Heinz. What**



HUANG ZHI JIAN AND LEE KWEI FUN, CHINA

**remains constant is our responsiveness to people, cultures and**

**trends. This year we decided to take a closer, more personal look at our**

**changing markets.**



CARLETTA AND FRANCESCA BAVA, ITALY

**So, we asked journalist Rita D. Jacobs and**

**photographer Eddie Adams to travel more than 50,000 miles to visit eight families. We**



MARIO SANCHEZ, ALBUQUERQUE, U.S.A.

**weren't hoping for a comprehensive survey;**

**the world is too diverse and people too**



MAURICE TULLY, AUSTRALIA

distinctive for that. Yet, despite all the differences in work, in leisure and in home life, every

conversation included the same refrain: "If I only had more time." On these two pages, we've

given you a first glimpse of some of the people you'll meet—a banker in Zimbabwe, an artist in

China, a new mother in Italy, a builder in Albuquerque, a sheep station

owner in Australia, architects in Boston, a mother and daughter in



TSUGUYO AND SAYAKA HAMANA, JAPAN

Japan, a housewife



ELLIOT AND MARTHA ROTHMAN, BOSTON, U.S.A.

in England. These people speak only about

their own lives, and they do so eloquently. In their voices are the echoes of their cultures.

These are the voices we at Heinz hear as we

market our many products around the globe.



DMAPHNE CLARKE, ENGLAND



**"MY  
FATHER  
WORKED  
THIS  
LAND..."**

in the old days. Now I do—and things have really changed. In his time, there was less pressure, you just went along at your own pace. They rode horses all the time, so it was dead quiet, and all they heard were the birds. Now we get on our range bikes and speed up to the paddock to muster the sheep. We don't see the birds, and we certainly don't hear them because of the noise of the bikes. And, these days there's so much bad news on radio and TV, so much talk about inflation and interest rates and all that—I think psychologically it all just makes you go harder.

"I guess you could say you can lose something by gaining speed. That's one of the reasons we're glad we have the chance to encourage our kids to understand the modern world and still learn a lot about the land, their past and the nature around them."

MAURICE TULLY, ARMIDALE, NEW SOUTH WALES, AUSTRALIA

**"All our research shows that people are returning to trusted and heritage brands. Generics are declining. Our consumers are becoming better educated; they're looking for more natural products, more healthy products, more fibrous products. That's where Heinz comes in. We analyze which new products might become part of this future lifestyle.**

**"That's also where our new marketing of ketchup comes in. We're letting people know that Heinz is the only all-natural sauce on the market—thicker, richer, spicier. If they aspire to something a bit better, buying Heinz ketchup is the right move. And, because our recipe has got more of everything in it, you ought to pay more for it.**

**"People trust us—Heinz has been in Australia since 1935—and you could say that during all those years, we've been doing a common thing uncommonly well."**

IAN H. C. ELLIS, DIRECTOR-MARKETING, HEINZ-AUSTRALIA



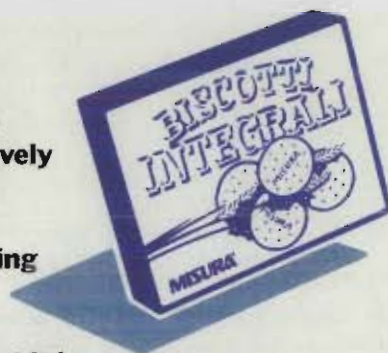
"Making and selling wine must be in my blood. I grew up watching a great salesman, my grandfather. I remember when I was about 14 years old and we were at a resort near Portofino. Grandfather went in to swim, and I saw him swimming close to another man. They just spoke a short time, but when Grandfather came back, he said, 'Roberto, make a note

because I just sold 100 bottles to this guy.' Can you imagine! He made a sale while he was swimming. I never forgot it.

"And, Grandfather still doesn't miss a trick, even though he's 80. The other day he came in with his list of customers and spent a few moments watching a shipping clerk working on the computer. He said, 'Eh, Roberto, this computer is too slow.' And he was right. We had just been discussing that. Grandfather may not agree with all my decisions but he really understands the changing world."

ROBERTO BAVA, COCCONATO, ITALY

**"The Italian population is aging. Today, there's one senior citizen for every three Italians actively employed. Italy as a whole is changing. More money is available and consumers are better informed. Also, the media have given increasing attention to living and eating healthily. Our Misura and Weight Watchers brand products are prime examples of how important it is for marketers to keep their ears close to the ground."**



**"We picked up the first strains of this healthful living movement in the early '70s and introduced Misura—the name means measure and moderation—in 1977 with dietetic condiment oil and whole-wheat crackers. The basic message to consumers was 'measure your fat intake, measure your bread intake' and most recently 'measure your sugar intake.' Response was slow at first, but today Misura is a success, providing Italy's only full range of good health foods. We're helping Italians keep fit with foods that taste good and are good for them."**

**"We've also developed the 'environmental oasis' concept for baby food. The raw materials for our Plada baby food products are controlled from field to factory to ensure the safety and wholesomeness of our ingredients. We've added to that by enlisting the aid of pediatricians and nutritionists to develop an innovative approach to the science of baby feeding. Currently, we have a leading position in the baby food market, and it's clear that Italian mothers buy our prepared baby food because they want to give their children safe and healthy foods."**



LUIGI RIBOLLA, DIRECTOR-MEDITERRANEAN AREA



“In Tokyo, where land is scarce, most people work for large corporations, and their hours could hardly be called their own. We Japanese salarymen often spend up to 14 hours a day at work and may face a three-hour commute to and from the office.

“In Japan, a 30- or 40-year-old wife is like a widow because her husband spends from early morning to midnight at the company. His life is his work. But the wife is willing to sacrifice. It’s what she’s been taught to do. Besides, she knows that the husband is doing this for the family. And now many housewives are also working outside the home. That’s the only way to get enough money to achieve everyone’s most precious goal—buying a house.”

JUN HAMANA, TOKYO, JAPAN

**“With life so hectic and time so scarce, we’ve made a concerted effort to fill the most important needs of Japanese consumers. Time is clearly a big issue these days, for both men and women. So, we focus on providing quality foods that are also convenient. In Japan, Heinz means cooking sauces especially prepared for the Japanese palate. We’re also experimenting with new and totally prepared foods, such as beef stew and beef curry in pouches and cans. Our factory is currently developing new forms of convenience packaging—waxed containers and pull-top lids among them. We know that convenience is what the consumer needs and wants. After all, we’ve seen clear evidence of this in consumer reaction to Ore-Ida’s frozen potatoes and chicken, which have taken the market by storm.**

**“We’re not content with simply putting the products on store shelves. We’ve recently gone one step further by providing home delivery services through retail rice shops and liquor stores. The Japanese consumer doesn’t have time to shop each day and finds heavy cans burdensome to carry. Now a housewife can call the store and have Heinz products delivered right to the home. We save her time and effort.”**

MASAHIRA OGAWA, PRESIDENT, HEINZ JAPAN



“Work and family have always been the two major things in my life, and they’re tied together since I work with my husband. But Elliot and I always tried not to bring too much work home. And no matter what was going on at the office, we always came home to have dinner and made



sure we didn't continue work conversations at the table. The kids always knew what projects we were working on, and I'm sure they know how committed we are to our work. I think this has taught them that, since you spend so many hours working, you have to be happy with what you're doing.

"At first, I think you hope you can do everything, but as time goes on you realize you can't, so you have to make choices. There are always trade-offs. I would have liked better bread for our dinner party the other night, but I knew that I didn't have time to get to another store to buy it. So, I bought what was there. But the biggest trade-off is probably time for myself—purely personal time just to kick off my shoes and read."

MARTHA ROTHMAN, BOSTON, MASSACHUSETTS, U.S.A

**"Concern for quality of life and not having enough time are the recurring themes in American life these days. We know that the time-poor working mother comes home exhausted yet wants to give her family a good-tasting, wholesome meal. All our research shows that mothers consider Ore-Ida products wholesome, convenient and fun. Kids love french fries, and we make them as healthy as possible, using the best potatoes and small quantities of soybean oil.**

**"Mothers know that our products are high quality and our 'Ore-Ida, All-Righta' slogan has brought our products into the nation's freezers. Now we're reminding mothers to serve the products by using new advertising that focuses on how much children like them, and we're appealing to the kids as well. Ever since we ran an ad with a little red-headed girl playing basketball, we've been deluged with letters from little red-headed girls."**

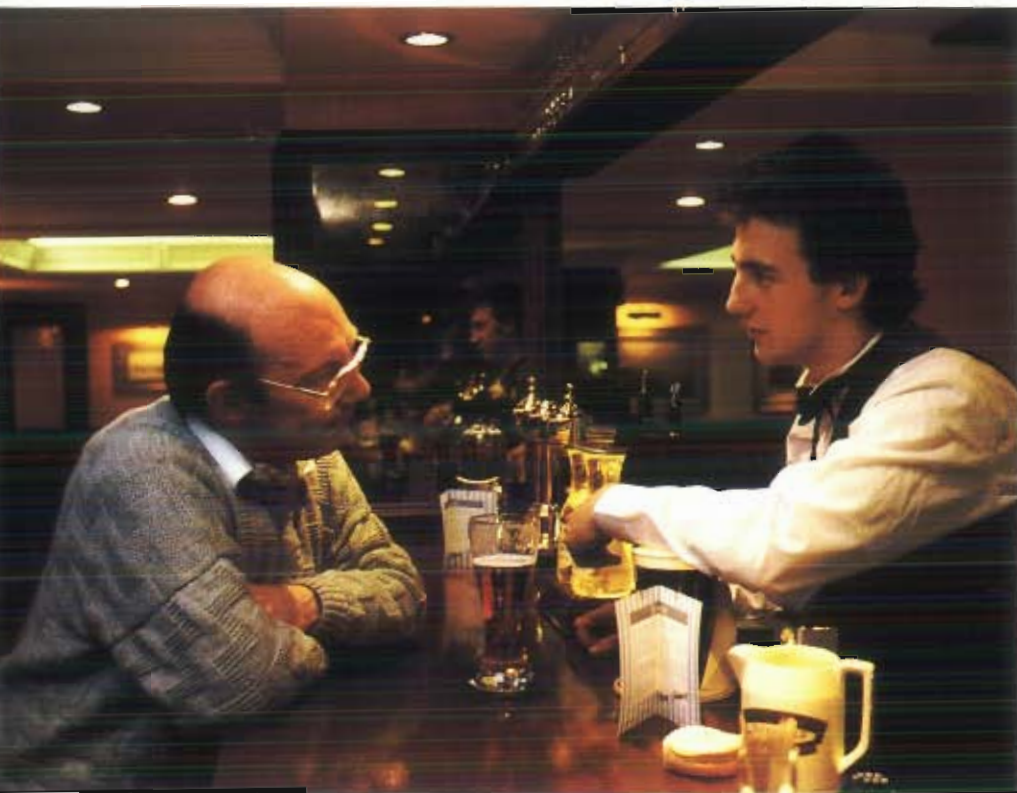
GERALD D. HERRICK, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ORE-IDA FOODS



**"My dream is to travel all over the world, especially to go to the top of the Himalayas or to ride a motorcycle across America. But, right now these are only dreams. I'm a husband and a father, and I need a regular paycheck to feed my family. So, my life is spent commuting and working for a large company."**

JUN HAMANA, TOKYO, JAPAN





**“You should have seen my father’s face the first time I served him a drink at my new job! Both my parents have had a hard time coming to terms with the fact that I’m not nine years old anymore, and I think he was shocked at how grown up I seemed. Actually, Dad’s finally realized that I am old enough to vote, but it’s harder with mother. She still fusses and scowls when I get in late.”**

EDWARD CLARKE, DURHAM, ENGLAND





**"You just can't work with someone and agree all the time. But, my father and I eventually meet in the middle. Since he's always given me responsibility in the vineyards, he's expected me to make some mistakes, and I've made plenty. But then again, I'm still learning. Of course, some of my mistakes have been costly—you could say my father's paid a high tuition for my education."**

ROBERTO BAWA, COCCONATO, ITALY





**“It’s difficult to run a business with your husband. Often I say to him, ‘Look, we have to draw clear lines. Sometimes I would like to have a board meeting with you to discuss our supermarket, and then other times I’d like to be together with no business discussed at all.’ Unfortunately, though I’d like it to be different, time for just enjoying ourselves comes by very rarely now.”**

PEDIA NYAWO, HARARE, ZIMBABWE





**“It’s a pretty hectic life, running our own architectural firm. We’ve always worked in the evenings and on weekends, but we do it because we both love it. And, it’s certainly more than just a job. Martha and I share the same vision about being architects in an urban environment. Cities can be awfully impersonal and cold—we want to create spaces where people feel better about themselves.”**

ELLIOT ROTHMAN, BOSTON, MASSACHUSETTS, U.S.A.

**“It’s not easy to explain, but when I was a young man and full of energy and ideals, I thought of myself as a tree. I loved trees and saw them as nature’s image of power. So, when I started painting, I painted trees—great, strong, majestic trees. Now that I’m older, I see power in all of nature—even my birds and flowers are richly colored and passionate.”**

HUANG ZHI JIAN, GUANGZHOU, PEOPLE’S REPUBLIC OF CHINA







**“One of the worst things about a sheep station is that you’re always living with it. If you could even drive over the hill and you didn’t see it, you’d probably be able to relax much better on weekends. But basically you’re here with it, and you never really stop thinking about whether it’s going to rain, the quality of the wool or that mob of sheep that always has to be moved.”**

MAURICE TULLY, ARMIDALE, AUSTRALIA





**"THERE  
WAS  
NO  
LEISURE..."**

during the Cultural Revolution. Our family was split up—the children were sent to the countryside for retraining, my husband was imprisoned and I was confined to a room in the factory.

"It's a joy today to be back together. Now that I'm retired and have time, I indulge my two great loves—experimenting in the kitchen to recreate the dishes I've tasted in my life and playing with my grandchildren. Our youngest grandson, Huang Si, lives with us because his father and mother are working so hard to save money to start their own business and provide the best for their son.

"Sometimes it's hard to keep up with Huang Si, he's so active. He's growing fast and plays and studies very intensely. The characters that make up his name represent the rhinoceros, who can be tame and gentle as well as strong and aggressive, and he fits the name. Taking care of Huang Si gives me both great pleasure and some trouble, but I wouldn't have it any other way. I love having him with me."

LEE KWEI FUN, GUANGZHOU, PEOPLE'S REPUBLIC OF CHINA

**"China is the most diverse country in the world—tastes differ from region to region, as do customs. It's impossible, even for an ethnic Chinese businessman like me, to make predictions about the future market, except that its appetite for processed food will be large.**

**"But one thing is demonstrably true of China: 16 million babies are born each year. With the one-child-per-family policy, each of these children is the central focus of every family. The Chinese people are dedicated to giving babies the best of everything.**

**"I came to China three years ago to help them do just that. We've built a Heinz baby food factory and, along with producing baby food and cereal, we've expressed an overall commitment to nutrition by establishing the Heinz Institute of Nutritional Science. We're intent on using our expertise and experience to achieve better nutrition in the country, and the Chinese consumer knows this. We market Heinz products to the very real needs of the Chinese consumer."**

EDWARD P.W. TSANG, GENERAL MANAGER, HEINZ-UFU



"It's so easy to get into a rut of errands and work. Sometimes I just have to say, 'Let's do something as a family to break our routine.' So, a few years ago, we decided to participate in the New Mexico 'Eat Right' challenge, where New Mexico and Arizona competed to see which state could lose the most weight.

“It was something we could do as a family—you know, quit sitting in front of the TV and get out and exercise and play together. Besides, we were unhappy with the way we were eating, and we didn’t want our kids to grow up eating foods that were not the best for them. We signed up, they weighed us and gave us a kit that detailed 12 weeks of diet and exercise. We kept an activity diary and cut down on sugar and fried foods in favor of vegetables and fruits and yogurt. Each week we made a small change. We stayed with it for about two months and then went on vacation and broke the chain. But we’re still more conscious of what we eat, even if we’re in a restaurant.

“To tell the truth, part of our original motivation was vanity—Mario and I wanted to lose some weight. But after a while, we realized our goal wasn’t to get into the best possible shape but to better the quality of our lives and our children’s lives.”

LINDA SANCHEZ, ALBUQUERQUE, NEW MEXICO, U.S.A.

**“We’ve been listening to consumers, and we’ve learned they want products that taste great, like lasagna, pizza, desserts and meals with creamy sauces. With Weight Watchers brand calorie-controlled products, one can eat those foods with confidence.**



**“Recently, we’ve started a campaign directed towards health and nutrition because we’ve found that even people who aren’t dieting are interested in controlling their intake of sodium and fat. These days everyone is eating less red meat and more fish, like our StarKist tuna. The promise of taste and good nutrition is a stronger story than taste alone to today’s consumers.**

**“The most dynamic marketing fact of the next ten years will be this simple demographic: the household group in the 35-55 age bracket is going to grow 20 to 30% between now and the year 2000, while the whole population will grow under 1% a year. So, we have this enormous bulge in the population and perhaps in the waist as well. The Baby Boomers are moving through, and if you were to study who is buying Weight Watchers brand foods, it’s these people. We’re positioned right on the high-growth target. This is a very powerful phenomenon driven by basic demographic trends as well as the fact that Americans are very health conscious. We’re there to help them.”**



STANFORD P. DARGER, JR., VICE PRESIDENT SALES AND MARKETING, FOODWAYS NATIONAL, INC.



"I've always connected with children and their needs. So, I started our Friday evening church youth group because I knew at the end of the school week kids want to meet their friends, run around and let off steam. They just want to have fun. One day last month, the children asked, 'Miss, how old are you?' and I said, '56 going on 18,' which really appealed to them. I identify very much with the youngsters—I even have a badge that I wear for youth club which says 'recycled teenager.' I play 'tiggy on high' and 'toesie' and things with them. Three of the older boys and I are seriously thinking of challenging the Guinness world record in continuous Ping-Pong."

DAPHNE CLARKE, DURHAM, ENGLAND

**"The awareness of heart disease, the importance of better health care, the need to stop smoking and the benefits of high levels of temperance—they're all huge and growing like crazy in the U.K. They're big media issues. Our Weight Watchers brand foods and services in the U.K. offer another dimension to the British consumer's health orientation.**

**"We're essentially marketing to people who are concerned about their health and weight. There are many housewives in Britain today who worry about their own weight or about the health of their families. They want to preserve their husbands' health through low-fat diets and to improve their children's chances of growing up healthy by having them eat less sugar, less fat, more high-fiber foods.**

**"But, people want taste as well as nutrition, and Heinz has been famous for both. Our Weight Watchers brand products build on that base. We're positioning Weight Watchers brand foods as good tasting, healthful alternatives, not simply as weight reduction tools. And, consumers have responded very well. In fact, this year we won what amounts to the Academy Award of the frozen food world—*Supermarketing Magazine* voted our Weight Watchers brand meals the best frozen food introduction of the year."**

ANN DOUGAN, PRODUCT MANAGER-WEIGHT WATCHERS, HEINZ U.K.



“Even when we were very young, our parents wanted us to be exposed to different things. When it was time to take a vacation, they saw it as a family affair and they rarely left us at home. If they traveled, they took us along. We were pretty young when we went to France and Guatemala and Israel. In fact, even if they went out to dinner or to the theater or to museums, we were always included. I think that time off from work for them was a time for the family to enjoy—and that meant we spent that time together and did a lot of exploring.”

SABINE ROTHMAN, BOSTON, MASSACHUSETTS, U.S.A.

“One of the trends we’ve been tracking over the years is that people are going beyond the meat-and-potatoes scenario. As people travel more, they’re exposed to more types of foods and flavors, and when they return home they want to have that same variety available to them. We’ve been tracking trends in the specialty foods market and, where years ago there would be a few basic sauces on the grocery shelves, now there are literally hundreds of different types of products in the sauce line because people are looking for variety.

“We carefully monitor what’s going on in the marketplace. And, you can see our response to the trend towards variety in the Heinz U.S.A. specialty foods division, which we created in 1984. In addition to Weight Watchers brand food products, we have Chico-San rice cakes, Near East grain products and different types of gravy. We’re also taking an innovative approach to marketing these specialty products. Broad-stroke network advertising isn’t the only way to go. We use an integrated, well-developed plan to reach a wide spectrum of consumers—through network television with spot market support, women’s magazines and lifestyle publications, and even through advertising in fitness centers. After all, lifestyles are as varied as tastes.”

MARY ANN MCCOLLOUGH, GENERAL MANAGER-MARKETING SERVICES, HEINZ U.S.A.





**"I really enjoy my time with Mum and the kids. I come home at the end of the day exhausted, but I'll be keen because someone will have said something wonderful, or little Sally will have actually put her Bs the right way 'round today, rather than putting them the wrong way 'round, which she did yesterday. It's the spontaneity that's so fantastic in kids."**

ANNA CLARKE, DURHAM, ENGLAND





**“When I first met Roberto, I was dating his friend. Now he tells me that he thought from the first time he saw me, ‘*Bellissima* — she’s the one for me.’ Of course, he was a gentleman and waited until I was free to ask me out. I’m glad he did—he’s the most affectionate man—and the marriage just gets better and better.”**

CARLETTA BAVA, COCCONATO, ITALY





**“Lee Kwei Fun and I chose each other—we met at a dance. You see, in those days it was an unusual thing to do. My parents’ marriage was arranged, and that was the traditional way even when I was young. But, I think my father secretly regretted how quiet my mother was, so he agreed to our match. He thought I should have a woman with strength who could speak up for what she thought.”**

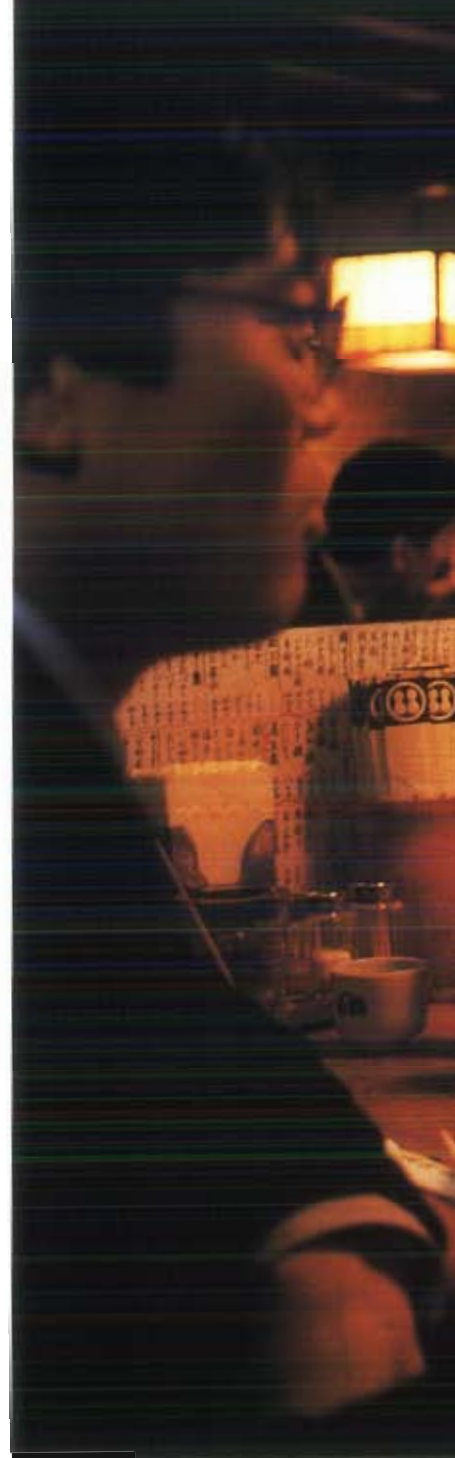
HUANG ZHI JIAN, GUANGZHOU, PEOPLE’S REPUBLIC OF CHINA





**“Some kids hate being the youngest. It’s probably because they have to listen to their older brothers and sisters as well as their parents. But, I think it’s terrific. Maybe that’s because Mom and Dad feel guilty about working so hard, and I get most everything I want.”**

WADZANAE NYAWO, HARARE, ZIMBABWE







**“Jun and I are lucky; we’re friends. That’s still an unusual way for a wife to feel in Japan, where everything is so structured. You can even see it in our language. Did you know that different words are used to speak with children, elders, bosses, even between men and women? Often a husband only speaks to his wife to ask for something, for food, a bath or to prepare his futon. I’m so glad we speak the same language.”**

TSUGUYO HAMADA / TOKYO, JAPAN

**“I never miss an ANZAC Day parade, where I’m surrounded by old friends. World War II took six years out of my life, but it determined my future. Peg and I knew each other slightly before the war — my father classed wool for her family — but I really started to court her during the war. She was an army nurse on the island of Morotai, where I was stationed. The kids still love to take out the scrapbooks and ask us about our courtship. Kind of a romantic story, that!”**

ROSS TULLY, ARMIDALE, AUSTRALIA







**“When I was a little girl, my parents hardly ever took vacations. And, my parents’ friends always took vacations without their kids. I promised myself I wouldn’t do that. Vacations are really the only time our whole family can be together to forget about work or school and relax and enjoy each other.”**

MARTHA ROTHMAN, BOSTON, MASSACHUSETTS, U.S.A.





**"OUR  
HOME  
HAS  
CHANGED..."**

now that the children are grown. But, I still feel that a home should be the place where the children are free to be themselves and bring their friends. I've always reached out to others and wanted them to do the same. For us, home is also the place where you are involved with the community, where you feel a commitment to helping make it a better place for everyone.

"That's a big part of our family's tradition, and tradition is highly valued in our home and, I believe, in England. So, for us, family means embracing within our family pattern all those who have a sort of kinship, literally or emotionally. We've certainly never had a Christmas dinner which has just been us alone. We've always had visiting students or anyone who's lonely at church. It wouldn't feel right to me if we didn't share with others."

DAPHNE CLARKE, DURHAM, ENGLAND

**"Our marketing builds on the British consumer's lifelong attitude towards Heinz brands. We're a part of their tradition. People have grown up with us. They're weaned on our baby food, then as children they're introduced to products like ketchup, spaghetti and beans. When they grow up, they get into more adult products like soup and Weight Watchers. 'Beanz Meanz Heinz' has become a national catch phrase. Heinz has long been recognized as a major food supplier. In fact, records show that the Luftwaffe targeted the Heinz factory for bombing during World War II because the Germans saw our products as such an important staple of the British diet.**

**"There's no doubt that the British believe in Heinz — for consistency, taste and unparalleled natural quality. In a world where things are increasingly ersatz and synthetic, the real things become more important. We see this happening in the U.K. and increasingly throughout Europe.**

**"So, Heinz is part of the fabric of British lives, yet, we're not seen as being old-fashioned or of yesteryear, because we keep updating our values and keep making them contemporary. There probably isn't a household in this country that doesn't have at least one Heinz product in it. Our share of the bean market has grown from about 39% in 1985 to the almost 49% we project for 1990. Heinz is clearly the definitive brand—the gold standard in the market—and we mean to keep it that way."**

BRUCE R. PURGAVIE, DIRECTOR SALES & MARKETING HEINZ U.K.



“We wanted to raise our kids in an urban environment, so we deliberately bought a house in the South End of Boston. The neighborhood was planned in the mid-nineteenth century and watching it come back to life has been truly exciting. Of course, I look at the environment as an architect and have always thought that in the urban renewal period of the '50s we tore down too much.

“There are values that endure, and buildings that are old can be made to endure. Anything that can make a house feel more like a home is important. For example, the whole tendency to create cubicle kitchens that shut off the mother from the family and from the living room was a disaster. Families want to be together. The real values come from how people really live and act, and architects have to recognize that a family needs spaces in which to communicate. I believe that anything that's old can be converted into something newer as long as you don't build in isolation. You have to retain what's good—the essential values—and then build from there.”

ELLIOT ROTHMAN, BOSTON, MASSACHUSETTS, U.S.A.

**“The most important asset any marketer has to manage is brand equity — that hard won confidence that consumers feel toward one's product which takes years to build. Having said that, it's important to note that marketers must constantly bring new initiatives to the marketplace in order to stimulate growth. We did not get to a 50% share on Heinz ketchup by simply living off the past.**

**“If you were to find any brand in this country that did not have major new marketing initiatives underway, I would say that brand is headed for trouble. And, the trick is not necessarily to double your media budget. What we've done, for example, with squeezable ketchup, foodservice ketchup, Weight Watchers brand frozen foods, and many others is to be very innovative on the packaging front. As a result, with only comparatively modest investments in marketing funds, we've been able to produce profound changes in market share as we lead the trend toward convenience.”**

DAVID W. SCULLEY, SENIOR VICE PRESIDENT H. J. HEINZ COMPANY





“It’s hard even for me to fathom how much life has changed since Zimbabwe became independent. I took my first trip out of the country before independence, when we were still Rhodesia. I remember sitting on the flight to England when a young white air hostess approached me to ask if I was comfortable. I was shocked. Could you imagine what it was like for me, having grown up in a totally segregated society, to be waited on by a white person? But, today it’s so different. I have a good job as a banker, a job I could never have dreamed of having before. My wife is an entrepreneur, we own a farm, and our access to quality goods is only determined by our own hard work. I feel so fortunate that my children have only known independence. They’ll never have to experience the same shock I did on that plane.”

CASTON NYAWO, HARARE, ZIMBABWE

**“Three years ago, Heinz became the first multinational corporation to invest in Zimbabwe by buying a 51% share in Olivine, with the other 49% belonging to the government. For more than 50 years, Olivine has provided Zimbabwe with household essentials like cooking oils, soaps and candles. You could say we’ve all grown up with Olivine in our homes.**

**“Since independence, the territories and rural areas, which had been closed to us during the war years, opened. That change, along with the improved standard of living and a growing population, have resulted in an enormous market. Frequently, our problem is that we just cannot satisfy it.**

**“But, we do everything in our power to supply our customers. That’s been an Olivine tradition. In the early years, before supermarkets, we served the old-style grocer and made sure that when he ordered goods and wanted them delivered on a Tuesday, he got them on a Tuesday. The founders of the company, the Margolis family, sometimes delivered the products themselves on their way home from work. For them, nothing was too much trouble for their customers. That attitude continues to the present day. Goods may be in short supply, but no one has ever complained about Olivine’s quality of service or value for money, which is crucially important here because the African family is generally large and very concerned with value. They know that Olivine oil and Perfection and Jade soaps are the best to be had.**

**“Heinz is still the only significant foreign investment in the country, and the government and the people are very proud of this link with Heinz. It’s been a very successful partnership, and I think the government is eager to say to other investors, ‘Look, this**

**American company invested here and Heinz is not a charity. Heinz is concerned with the bottom line, and they're making money here.' Now, from the way things look—with our introduction of Heinz beans and tomato soup, which are in great demand—Olivine's future will be even brighter than its past.'**

RORY W. BEATTIE, MANAGING DIRECTOR-OLIVINE INDUSTRIES



“Growing up with my grandfather around has been very special—he’s an amazing person. He’s really active. Even though he’s 86 now, he goes to work every day, and he loves to hang out with us. When he comes to watch our softball games, he roots us on whether we get a hit or not and if we make a good play or an error. One day, when he was about 76, he actually played in the game. He had a pinch runner run for him, but he swung, hit the ball and actually got a single. He was so alive—he was really having fun. I’m really proud of him.”

ADAM ROTHMAN, BOSTON, MASSACHUSETTS, U.S.A

**“To be excellent marketers of food, we must understand the lifestyles of our consumers, so you might say we’re in the lifestyle business. We stay alert to trends and attentive to tastes as we keep pace with the effects of culture, lifestyle and technology on people’s lives.**

**“In Weight Watchers, Heinz possesses a unique asset that no other American food company shares. Weight Watchers prospers from the combination of global health and nutrition programs, with complementary products in all food categories. When we bought Weight Watchers, we bought an idea: the idea that healthful, convenient nutrition could become part of the daily routine of millions of men and women. That idea has now taken hold in North America, has begun to inspire millions more in Europe and has as yet untold potential throughout the world.”**

ANTHONY J. F. O'REILLY, CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER-H. J. HEINZ COMPANY



**"I wish I had more time with my kids. When you're in your twenties and early thirties, all you want to do is make money for the family and fulfill the American dream. As you get older, you're willing to trade a little bit more time for money. Life is supposed to get easier as you get older. You're supposed to be in more control of your career and of everything. But it seems like the older we get, the busier we get."**

MARIO SANCHEZ, ALBUQUERQUE, NEW MEXICO, U.S.A.





**“I grew up thinking that the world was divided between Japanese people and foreigners, but I want my family to get away from that. We keep certain of the old traditions, and that’s easier because Jun’s mother lives with us. But, as a modern mother, I also want my children to know that we share the globe with many others. I want them to explore and enjoy the rest of the world.”**

TSUGUYO HAMANA, TOKYO, JAPAN















**“After spending all week at the bank and worrying about loans and shuffling endless papers, it’s great to go to our farm and just talk with our workers about the crops and their families. It’s also exciting to see the changes we’ve made. We’re building new brick buildings for them, and we’ve just started a vaccination program. We’ve even hired a woman who reports on all the children who are sick so they can be treated with modern methods.”**

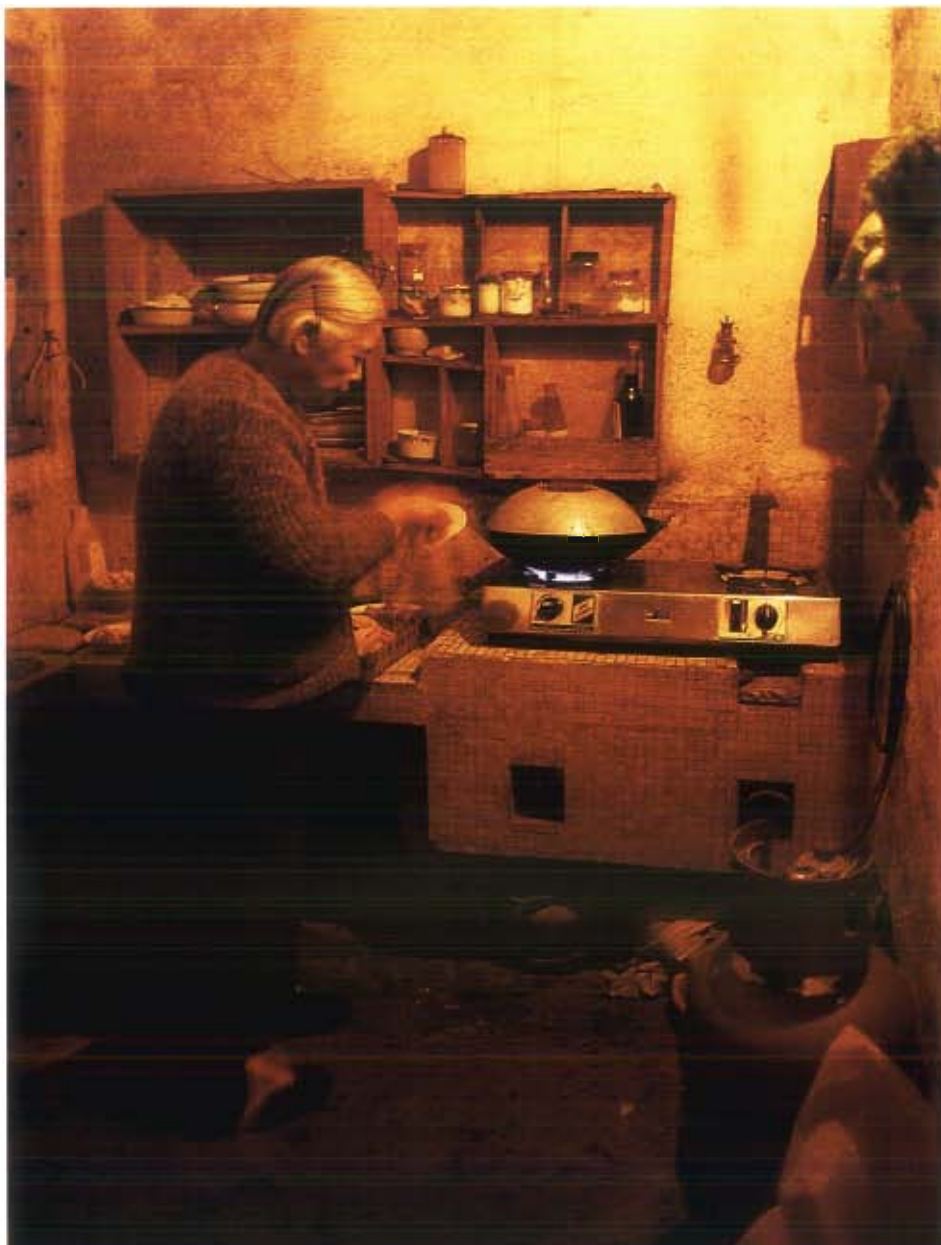
DASTON NYAWO, HARARE, ZIMBABWE

**“The kids tease us about our summer house being an inn, and they’re right. I mean, one time a dinner guest actually stayed for six months—but we really enjoyed him. Sometimes I crave a little loneliness; there are times when there are just too many people around and you have to get off on your own. But, when it comes right down to it, I’d rather have an open home.”**

MARTHA ROTHMAN, BOSTON, MASSACHUSETTS, U.S.A.

**“It may not seem like much, but we’re lucky to have a refrigerator. I certainly didn’t grow up with one. I can keep food fresh, and I don’t have to go to the market every day like some of my friends. It’s funny though, because I go shopping every day anyway just to meet my friends and catch up with the news.”**

LEE KWEI FUN, GUANGZHOU, PEOPLE’S REPUBLIC OF CHINA







**"I always knew that Italian families simply adored babies, but I guess I never realized quite how much until we had Francesca. She's the only Bava grandchild, and she is definitely the center of attention. You should see the contortions people go through just to get this little *bambina* to smile."**

CARLETTA BAVA, COCCONATO, ITALY



**“When the kids were really young, I used to come in to the university common room looking grim in the mornings, having been the one who had got up that night. I remember flopping down one day and asking an older colleague, ‘At what age do we grow out of this?’ He laughed and told me things would just get worse. Actually, he was wrong. It’s much better now that the kids can listen to reason.”**

PETER CLARKE, DURHAM, ENGLAND



**YEAR  
IN REVIEW  
AND  
FINANCIAL  
REVIEW**

## FINANCIAL CHARTS

### Net Sales

(in millions of dollars)

■ Domestic  
■ Foreign

Five-Year Compound  
Growth: 8.0%



### Operating Income

(in millions of dollars)

■ Domestic  
■ Foreign

Five-Year Compound  
Growth: 12.6%



### Net Income

(in millions of dollars)

■ Domestic  
■ Foreign

Five-Year Compound  
Growth: 13.1%



### Common Stock Price at Year-End

(in dollars)



### After Tax Return on Invested Capital

(in percent)



### Capital Expenditures and Depreciation

(in millions of dollars)

■ Capital Expenditures  
■ Depreciation





**Marketing and Sales**

In Fiscal 1989, the H.J. Heinz Company achieved new levels of marketing and sales success around the world. The company demonstrated particular skill in responding to the accelerating pace and fragmented focus of life. At the same time, Heinz continued to meet universal consumer needs for food that is safe, pure, nutritious and good tasting.

H.J. Heinz Company and its worldwide affiliates applied marketing efforts in 1989 with a skillful blend of techniques. Collectively, the Heinz family of companies devoted a record \$483 million (or 8.3% of global sales) to marketing. For venerable brands and for new offerings, Heinz mounted creative campaigns to maintain or attain market leadership around the globe.

Altogether, Heinz companies surpassed all previous global sales figures in Fiscal 1989. The total for the year reached \$5.8 billion, with 40% of that amount coming from offshore operations. In addition to maintaining the leadership of their big brands, Heinz affiliates scored sales increases across a spectrum of product lines.

The formidable combination of product quality and marketing ingenuity not only propelled Heinz to its 25th consecutive year of sales growth but also sustained the market leadership of company brands and services. Fully 55% of Heinz's global sales come from products that hold the number-one brand position in their respective markets. Half the ketchup sold in the U.S., to both the grocery and foodservice trades, bears the Heinz label.

Weight Watchers International holds a 50% share of the weight loss services market in North America and Weight Watchers brand frozen entrees and novelties hold the leading positions in their market segments.

Ore-Ida commands 48.2%, in unit volume, of the retail frozen potato market; StarKist canned tuna holds a 37% share of that category. The 9-Lives brand remains the leader in canned cat food.

Among other traditional products, Heinz soup, beans, condiments and baby food remain overwhelming favorites in Canada, the U.K., Italy and Australia.

In the important American foodservice market, Heinz U.S.A. single-serve ketchup sales increased by more than 13%. Heinz's 14-ounce foodservice ketchup volume reached an all-time high, surpassing the previous record by more than 100,000 cases.

Heinz U.S.A. maintained the number-one national position for its relish for the second year in a row, with close to a 20% market share. HomeStyle Gravy achieved a 9% growth in volume following increased marketing expenditures for the line.

Launched in 1988, Weight Watchers International's Quick Success Program carried strong consumer response through the year. With added improvements in January 1989, the Quick Success Program generated a 15% rise in Weight Watchers enrollments. The Weight Watchers At Work Program became the dominant wellness service for the workplace. It is offered at over 2,400 companies.

StarKist Seafood's 6.5-ounce chunk light canned tuna represents the cornerstone of the market, accounting for nearly two-thirds of all StarKist tuna sales.

Ore-Ida unlocked added value in three products by capitalizing on the popularity of its brand name. Heinz Deep Fries, Vegetable Crisp breaded vegetables and Special Recipes potato items all converted to the Ore-Ida brand name in selected markets.

Heinz Pet Products is the corporation's newest affiliate, formed following the reorganization of Star-Kist Foods. Already, Heinz Pet Products holds the number-three brand position within the canned dog food category. A number of Heinz dog food brands experienced noteworthy sales increases during the past year. Skippy Premium grew by 7%, Meaty Bone dog snacks showed an 8% rise over the prior year and Tuffy's brand gained 9% in volume.

Hubinger increased both unit volume and sales revenues for modified corn starches and began a program to export starch products to Latin America and Southeast Asia.

Heinz-Canada employed a new strategy to expand market share for its major brands. Pasta and barbecue sauce tallied major sales gains, as did Heinz-Canada's market-leading red juices.

Fiscal 1989 represents the best 12-month sales period in the 28-year history of Venezuela's Alimentos Heinz. The greatest volume growth was 71% for vinegar, followed by 34% for 57 Sauce, 21% for pasta sauce, 16% for ketchup and 14% for baby food.

In Central Europe, Heinz ketchup attained record levels of popularity in West Germany, increasing its volume there by 26%.

Heinz-Italy's Plada baby food continued to reap benefits from the company's "environmental oasis," a rigorous quality control concept designed to assure the purity of its foods. The company marketed the "Plasmon Environmental Oasis Certificate of Guarantee" for strained meats, fruits and juices. Wet, strained baby food—sold under the Plasmon, Nipiol and Dieterba brands—enjoyed exciting volume growth at 20% over the previous year. Heinz-Italy's low-calorie Misura brand soft drinks continued their advance, capturing an exceptional 70.5% of that market.

Recently added to the Heinz family, S. Orlando S.A. of Spain lost no time making its contribution to global sales. Orlando celebrated company-wide volume growth averaging 8% in Fiscal 1989, an auspicious beginning.

Orlando's Iberian compatriot, IDAL of Portugal, scored impressive gains of its own, increasing sales volume for ketchup by 20.5% to capture 73% of the Portuguese market.

In the Pacific Basin, Heinz-Australia improved on its already dominant position in the baby food market, bringing its total share to 80.7%.

Seoul-Heinz in South Korea recorded an all-time high volume for industrial and institutional margarine, as well as sharp increases for edible, cooking and salad oils, institutional ketchup and mayonnaise.

In the People's Republic of China, Heinz-UFE pushed beyond the limits of Guangdong Province to expand its sales volume by 110% over 1988 levels. Sales in Guangdong alone increased 50%.

## New Products

In both the grocery and foodservice markets, people around the world were treated to a host of new products. During Fiscal 1989, interest in health and wellness continued as a growth opportunity, and Heinz exploited that trend to the benefit of consumers and shareholders.

Heinz U.S.A. used product improvements and innovations to press its assault on the myth of the mature market. Even ketchup got a helping hand with the addition of a handle on the 64-ounce size plastic container, boosting sales by 47% during its first four months on the market. Good 'N Spicy and Good 'N Garlic pickles and a 10-ounce size of Heinz dill relish helped broaden interest in these venerable products. Babies were treated to three new varieties of Heinz yogurt. Infants just starting to eat solid food were introduced to nine varieties of single-ingredient Beginner Foods. Dieters and snackers now enjoy Heinz U.S.A.'s Chico-San Popcorn Cakes.

Heinz room service size mustard was launched to complement the popular room service size ketchup. Patrons at take-out establishments enjoyed the convenience of 14 new single-serve condiments, including mayonnaise, relish, sauces and salad dressings.

StarKist tuna was introduced nationally for sale by Heinz U.S.A.'s foodservice sales team, which took aim at a total market of approximately 5.5 million cases.

Weight Watchers brand frozen entrees successfully unveiled six varieties nationally, bringing its product portfolio to 39 and helping the line reach the number-one position in the frozen reduced-calorie entree segment.

Weight Watchers brand frozen desserts introduced two line extensions: raspberry mousse and chocolate brownie. These offerings helped bring the company's share of the frozen desserts category to 19.3%, slightly ahead of last year.

The roll out of two fajitas (meat and vegetable combinations in a tortilla) brought to seven the number of Weight Watchers brand Mexican varieties. Weight Watchers brand frozen Mexican entrees outsell the next two brands in combined dollar volume. The first low-calorie dinner entrees aimed at the growing Hispanic market, Weight Watchers brand frozen Mexican entrees posted an impressive 8.8% volume gain.

Heightened consumer interest in the \$450 million frozen side dish category encouraged the introduction of a complete range of Weight Watchers brand fancy side dishes into U.S. test markets.

The frozen novelties category was not overlooked as the company gave a national launch to Weight Watchers brand chocolate mousse, a 35-calorie novelty-on-a-stick. This tasty treat quickly became one of the five best-selling novelty items in stores that stock them.



New Weight Watchers brand Ultimate 90 yogurt, which offers consumers only 90 calories per serving, became available in seven fruit flavors.

StarKist Seafood addressed the desire for affordable, healthful nutrition with three products: Prime Catch, a superior quality light tuna; Weight Watchers brand tuna, with less salt than ordinary tuna items; and StarKist's dietetic variety for consumers on salt-restricted diets.

Heinz Pet Products quickly added to its market presence with Reward, an eight-item line of super premium canned dog food. Aimed at the indulgent dog owner, Reward competes in the fastest growing of all canned dog food segments, which accounts for about 25% of total canned dog food sales. Other pet food introductions included Smokey Links (a Jerky Treats line extension) and three varieties of Recipe dog food.

Heinz-Canada brought Weight Watchers brand yogurt, with aspartame sweetener, into test market. Four varieties of infant cereal with formula were launched, along with two varieties of toddler food.

Heinz-Canada also introduced three varieties of frozen entrees and four salad dressings, all under the Weight Watchers brand.

The Canadian company added honey-and-garlic flavor to its barbecue sauce lineup and offered its foodservice customers in Quebec and Ontario nine varieties of uniquely packaged, ready-to-serve frozen soup.

Heinz-U.K. extended the global reach of the Weight Watchers brand name by introducing 13 frozen meals. Developed to serve both the trend toward healthier lifestyles and the dynamic microwave market, this line represents the first range of frozen food from Heinz-U.K.

Heinz-Italy introduced that nation's first wet baby food for toddlers. Marketed under the Plasmon brand name, the line is designed for babies aged 12 months or older.

Heinz-Italy's confectionery business—comprising the Sperlari and Scaramellini brands—experienced a busy year, affording sweet-toothed consumers new varieties of hard candies, fruit-flavored jelly candies, peppermint fondants and toffees.

Heinz's Central Europe office took Weight Watchers brand products to the Continent en masse with the introduction of 48 varieties under the Weight Watchers *Gemeinsamerplan* brand. A mere 10 months after introduction, these frozen entrees captured 22.8% of the region's low-calorie market. Although Weight Watchers meetings have been held in West Germany since 1971, this marks the first presence there of Weight Watchers brand food products.

Japanese grocery shoppers were treated to new soups, beef curry madras style and even Ore-Ida frozen potatoes and fried chicken, courtesy of Heinz-Japan.

Seoul-Heinz introduced nine products in Fiscal 1989, including ketchup in a plastic bottle. Frozen potatoes and cottonseed salad oil rounded out the list of latest Heinz grocery items for South Korean consumers.

In Thailand, Heinz Win Chance came out with ketchup, baby cereal and chili sauce, all under the Heinz brand name.

### **Acquisitions**

Prudent and compatible acquisitions governed Heinz's expansion plans in Fiscal 1989. Heinz purchased only operations that profitably complemented existing brands, while selling those incompatible with its growth strategy.

Heinz U.S.A. acquired Portion Pac Inc., a Cincinnati-based manufacturer of single-serving foods, including condiments, salad dressings, jams and jellies. This acquisition allowed Heinz to expand further in this profitable market segment.

The licenses for Weight Watchers brand margarines, cheeses, mayonnaise and several other food categories were purchased from Nutrition Industries Corporation and are now managed by Heinz U.S.A.

Weight Watchers International added another dimension to its exercise operations with the acquisition of The Fitness Institute in Toronto, the leading health and exercise club operation in Canada.

Specialty baking offers a promising market for Heinz-Canada and the addition of W.P. Foods Inc. proved a natural fit with the company's fast-growing Pro Pastries operation. W.P. Foods stands as Canada's largest tart and pie shell manufacturer. Heinz-Canada also acquired Shady Maple Farm Ltd., one of North America's leading bottlers and marketers of natural maple syrup.

Caribbean Restaurants acquired BMJ Foods, operator of a chain of Ponderosa restaurants in Puerto Rico.

On the other side of the ledger, Heinz-Central Europe disposed of its chilled salads business by selling the Johma and Nadler companies.

#### **Facilities and Customer Service**

Heinz affiliates modernized and adapted their facilities to maintain the highest levels of efficiency and quality and to preserve low cost operator status. These programs yielded better customer service and continued price competitiveness for all company brands.

Heinz U.S.A. undertook several such projects, the most notable being a \$90-million restructuring project at its Pittsburgh plant. This major program will renovate the company's oldest facility during the next three years and will result in an ultra-modern center for soup and baby food production.

Foodways National, producer of Weight Watchers brand frozen food, added a processing line at its Massillon, Ohio factory and increased the number of items made there from 26 to 47. At Foodways National's Wethersfield, Connecticut plant, the company plans to save over \$700,000 through capital improvements initiated under continuing LCO efforts.

Star-Kist Foods Canada re-opened its St. Andrews facility in New Brunswick. Star-Kist Caribe in Puerto Rico expects substantial reductions in energy costs because of an oil recycling effort.

Heinz Pet Products bought a Pascagoula, Mississippi cannery. This acquisition enabled the company to commence canned dog food production in the Southeast a full year ahead of schedule. Construction of a cannery, which would have cost as much as the acquisition, no longer remains necessary.

Ore-Ida implemented packaging and processing improvements at its Oregon, Idaho and Wisconsin factories. It also began modifying and consolidating office space in Boise, Idaho, with savings measured at more than \$1 million.

In Puerto Rico, Caribbean Restaurants opened nine new Burger King outlets and remodeled five others.

Offshore affiliates were also active with capital improvements. Heinz-U.K. made major advances with newly constructed pasta lines at its Harlesden plant and high-speed processing equipment for baked beans and soups at Kitt Green. The result has been marked improvements in quality, consistency and productivity.

Heinz-Australia employed computers to assure uniformity in filling operations and upgraded its vegetable preparation line.

Meanwhile, Heinz-UFE undertook efforts to double its production capacity to keep up with China's rising demand for Heinz baby food.

#### **Procurement**

Obtaining raw materials on land and at sea stands as a critical task for the food processor. Heinz maintained the match between resources and customer demand through relentless dedication to procurement.

The summer drought posed challenges for Heinz U.S.A. The company bought larger quantities of California tomatoes to replace lost yields from the Midwest. Crop losses were minimized by the high stress tolerance of Heinz-developed tomato varieties.

Heinz U.S.A. met its cucumber requirements through a second crop planted in irrigated areas of the Midwest and Southwest. Serious shortfalls in carrot harvests were overcome through alternative supply sources in New York and New Jersey. Rice, while adequate to meet demand, faced higher prices due to reduced acreage and competing crops.

Limited local water supplies caused Ore-Ida's Ontario, Oregon plant to turn to northern Nevada, central Oregon and Washington for sweet corn, onions and potatoes. The drought also caused lower potato yields and hence higher prices for Ore-Ida's open-market purchases.

Heinz-Canada likewise overcame shortfalls in cucumber supplies from southern Ontario through importation from the southeastern United States. Two new Heinz tomato strains were introduced to Canada and proved excellent performers for both field and factory.

Heinz-Central Europe offset the shortfall in U.S. grain production by utilizing supplies from the EC, Canada, Argentina, Brazil and Australia.

Heinz operations in Zimbabwe continued to feel the strain of limited internal supplies and a shortage of foreign currency for necessary imported materials.

#### **Research**

Keeping pace with consumer needs—especially the nutrition revolution—and staying ahead of nature's vicissitudes require constant research. Heinz affiliates worldwide maintained a vigilant outlook toward the future through a number of research projects.

Heinz U.S.A. purchased an 80-acre Stockton, California research farm to help in the development of even higher-yielding tomato hybrids. Irrigation techniques and seed production equipment also will undergo testing at the site.

Weight Watchers International commissioned a major study on the attitudes and behavior of American adults



regarding dieting, nutrition, exercise and health. The study findings helped Weight Watchers promote its fitness programs in a variety of national media.

Ore-Ida Vended Products conducted extensive field testing of 20 french fry vending machines. From this research, an advanced prototype model was created, incorporating many improvements in design to assure reliability and reduce maintenance and service time.

Heinz-Canada met new government labeling regulations with a nutrition assessment rating system. The company also established an ongoing program to monitor pesticides and chemical residues. Heinz-Canada's products undergo evaluation as part of this project, a cooperative effort with Heinz-Italy, whose "environmental oasis" concept sets the standard for food purity in Europe. Meanwhile, Heinz-Italy continued to explore the varied aspects of child nutrition and product safety.

Heinz-Australia initiated work on a research and development center to consolidate all company R&D functions on that continent.

In China, Heinz-UFE worked with local medical and women's authorities to study better nutrition and the resulting physical improvements in Chinese infants.

#### **Public Service**

No matter the pace of modern life, time and resources must be set aside to serve good causes and great needs. The H.J. Heinz Company Foundation led the philanthropic effort with grants totalling \$5 million to approximately 1,000 organizations, \$650,000 of which came from contributions matching those made by some 700 employees.

A sampling of beneficiaries reveals a wide range of community involvement: Pittsburgh Opera, The Advertising Council, Discovery Center of Idaho, Georgetown University, Pittsburgh Public Theatre, National Captioning Institute and many others. Foundation support is directed toward communities in which Heinz has a major presence.

Alert to the hardships caused by the summer's drought, Heinz U.S.A. organized and supported programs providing more than \$75,000 in emergency assistance to migrant farmworkers in northwest Ohio and southeast Michigan. Heinz U.S.A. distributed more than \$10,000 in food to workers on 27 Ohio and Michigan farms. In addition, Heinz U.S.A. and the H.J. Heinz Company Foundation each contributed \$25,000 to the Farmworker Emergency Assistance Program, which offered travel funds to enable eligible workers to return to their permanent homes.

Food donations stocked Pittsburgh area food banks and fed the hungry in El Salvador and many other countries. Disaster relief from Heinz U.S.A. helped ease suffering in Jamaica caused by Hurricane Gilbert.

Heinz U.S.A. remains the longest sustaining sponsor of the Children's Miracle Network Telethon benefiting hospitals for children. Other community service included co-sponsorship of the Heinz-National Restaurant Association scholarship program, Junior Achievement, Partnerships in Education, the Pittsburgh Regional School Science and Engineering Fair, the 1988 Pittsburgh Marathon, the annual WQED-TV auction, Make-a-Wish Foundation, and the Burger King Franchisee Support Center for Cancer. In recognition of their charitable spirit, five Heinz U.S.A. employees received first-ever Founder's Awards for Community Service.

Weight Watchers International joined in sponsorship of an International Symposium on Obesity. Some 5,000 Weight Watchers members and staff participated in raising over \$400,000 for the WalkAmerica fund-raiser for the March of Dimes. In Canada, Weight Watchers co-sponsored National Nutrition Month in cooperation with the Canadian Dietetic Association.

StarKist Seafood became a major sponsor of last year's Long Beach Sea Festival.

Heinz Pet Products marked its move into Pascagoula, Mississippi with the donation of \$40,000 to the Singing River Hospital.

Ore-Ida's fifth annual Women's Challenge once again drew top female cyclists from around the world. Several of the competitors in the 10-day race qualified for the Olympics in South Korea.

In Venezuela, Alimentos Heinz chaired the annual drive to obtain funds for the local United Way.

For the 18th consecutive year, Heinz-Australia continued its support of the little athletics program in Victoria. It also played a major role in the 42nd Dandenong Festival of Music and Art for Youth.

Heinz-Japan dedicated the Lafcadio Hearn Library at the Irish embassy in Tokyo, honoring the world-renowned literary contributions of the Irish writer of Japanese books and stories.

The Heinz Institute of Nutritional Science held its third symposium in the People's Republic of China, as Heinz-UFE continued to disseminate knowledge about nutrition to the Chinese academic and medical professions. Heinz-UFE became the first company in the PRC to match employee giving to social causes.

**Operating Results**

Net sales rose 10.6%, or \$556.6 million, in 1989.

Approximately 75% of the total sales improvement came from domestic companies, primarily because of domestic acquisitions and the effect of foreign divestitures. Volume growth accounted for nearly half of the increase of \$556.6 million, with price increases and acquisitions, net of divestitures, contributing equally to the remainder. Changes in exchange rates used in the translation of foreign currencies did not have a significant impact on sales.

Sixty percent of the volume increase came in the domestic market. Weight Watchers brand food products were the leading contributors to this increase. Ketchup, both grocery and foodservice, and frozen potatoes also had volume increases. In foreign markets, volume growth came primarily from the United Kingdom and Italy, which together accounted for approximately 30% of the total. The improvement in the United Kingdom was led by Weight Watchers brand frozen meals and Heinz beans, while increases in Italy resulted primarily from baby food. Canada also had strong volume improvement in its frozen unbaked pastry business.

Price increases contributed nearly one-fourth of the total sales increase and were evenly split between domestic and foreign markets. Domestic increases are primarily attributable to tuna, corn syrup and other corn products, and Weight Watchers meeting operations. Foreign price increases occurred principally in the United Kingdom, Italy and Australia.

Acquisitions in 1989 and 1988 (primarily in pet food, Weight Watchers brand food products and Spain) accounted for the remainder of the sales increase.

Net sales rose 13.0%, or \$604.7 million, in 1988. Unit volume growth and acquisitions accounted for approximately 40% of the increase. Lower U.S. dollar exchange rates used in the translation of foreign currencies accounted for over one-third of the increase, while price increases constituted the balance. Domestic volume gains, especially for pet food and Weight Watchers brand food products and meetings, contributed nearly 90% of the consolidated volume gains. Price gains were equally distributed between the domestic and foreign markets,

with the U.S. increase primarily due to tuna. Foreign price increases occurred in the United Kingdom, Italy, Canada, Australia, Venezuela and Zimbabwe.

The gross profit margin improved slightly in 1989, rising to 38.8% from 38.7% in 1988 and 38.4% in 1987. Ongoing efforts to improve cost efficiencies, together with higher selling prices, offset higher raw material costs in 1989. Fiscal 1988 benefited from lower commodity costs and improved volume in comparison with 1987.

Marketing expenditures, consisting of advertising and promotional support, increased 7.3% over 1988. Total expense in 1989 was \$483.1 million (8.3% of sales), compared with \$450.2 million (8.6% of sales) for 1988, and \$379.8 million (8.2% of sales) for 1987. The increases generally reflect spending to support the company's major brands, particularly the expanding line of Weight Watchers brand food products.

Other operating expenses, which consist principally of selling, distribution and administrative costs, increased 7.9% in 1989 after increasing 10.5% in 1988. As the company continues to emphasize cost reduction and efficiency, these expenses have declined in relation to sales—16.6% in 1989, 17.0% in 1988 and 17.4% in 1987.

Operating income was \$803.5 million in 1989, improving from \$688.0 million in 1988 and \$593.0 million in 1987. The operating income margin has shown continuous improvement, rising to 13.9% in 1989 from 13.1% in 1988 and 12.8% in 1987.

In 1989, both domestic and foreign operations contributed to improved operating income. Approximately 60% of the increase came from foreign operations, primarily due to lower raw material costs in certain markets and the divestiture of certain marginally performing operations. Domestic operating income increases were generated from Weight Watchers brand food products and meeting operations, frozen potatoes and pet food, partially offset by higher corn costs. Operating income from both foreign and domestic acquisitions made during 1988 and 1989 also contributed to the 1989 increase.

In 1988, operating income improvement was provided nearly equally by domestic and foreign operations, as both benefited from sales growth in higher profit margin products. This growth, together with foreign currency gains and cost reduction programs, led to higher operating margins, despite higher tuna costs. Domestically, Weight Watchers brand food products and meetings led operating income improvements. Other increases came from tuna



and retail frozen potatoes. Heinz-Italy and Heinz-U.K. contributed over 80% of the 1988 foreign operating income growth, with improvements primarily coming from cost reductions and price increases. In addition, both the pound sterling and the lira strengthened against the U.S. dollar and added to the increase. Operations in Australia, Japan, Venezuela and Zimbabwe also had outstanding operating income growth.

Net interest expense increased to \$46.7 million in 1989, from \$34.1 million in 1988 and \$13.2 million in 1987. These increases are attributable to higher net borrowings, particularly long-term borrowings, which have been used to fund capital expenditures, acquisitions and the company's stock repurchase program. The effect of higher debt was partially offset by a slightly lower average interest rate.

In addition to including recurring non-operating items, "other expense, net" includes certain unusual non-operating items that, by their nature, fluctuate from period to period. Other expense, net approximated the 1988 amount, despite a rise in goodwill and trademark amortization. In 1988, other expense, net increased \$16.1 million from 1987. The total for 1987 included a \$13.9 million non-recurring credit arising from the effect of the U.S. Tax Reform Act of 1986 on certain assumptions used in accounting for tax benefit leases.

The effective tax rates were 39.3% in 1989, 38.0% in 1988 and 40.0% in 1987. Despite a decline in the federal statutory rate, the 1989 effective rate exceeds the 1988 effective rate; the prior year's rate was favorably affected by tax benefits from U.S. possessions subsidiaries. Further information regarding tax rates may be found in Note 3 of the Notes to Consolidated Financial Statements.

In December 1987, the Financial Accounting Standards Board (FASB) issued Statement No. 96, "Accounting for Income Taxes." The statement requires the use of the liability method of accounting for deferred income taxes and must be implemented no later than Fiscal 1991. The company estimates that the implementation of the statement will not have a material impact on the company's financial position.

Net income in 1989 rose 14.0% to \$440.2 million. Net income per share increased 14.8% to \$3.34 per share, which reflects both improved operating results and the favorable benefit of the company's share repurchase plan. Domestic operations produced 57.9% of net income in 1989, 68.0% in 1988 and 66.5% in 1987. Foreign operations benefited in 1989 from lower effective tax rates, divestitures of marginally performing operations and lower commodity costs. Net income in 1988 increased

14.0% to \$386.0 million, while earnings per share improved 17.8% to \$2.91 reflecting the benefit of the company's previously authorized share repurchase plan.

The company paid \$178.3 million in dividends to common shareholders in 1989, or \$1.39 per share. The dividend rate in effect at the end of the year results in a payout ratio of 43.1%, compared with 42.6% in 1988 and 45.3% in 1987. Common dividends of \$154.4 million were paid in 1988 and \$132.3 million in 1987.

In April 1989, the company's United Kingdom subsidiary was subjected to a food tampering incident in which a small amount of product was contaminated after leaving the company's factory. In response to this incident, Heinz-U.K. has introduced a security "shrink-sleeve," in addition to the existing tamper-evident button cap, to increase the security of the product. This incident did not have a material impact on the consolidated earnings of the company in Fiscal 1989.

The impact of inflation on both the company's financial position and results of operations has been minimal and is not expected to adversely affect the 1990 results.

#### **Acquisitions and Divestitures**

H.J. Heinz Company made several acquisitions during Fiscal 1989. The two most significant were made by the company's Heinz U.S.A. division. In September 1988, the company purchased certain assets of Nutrition Industries Corporation, a licensee of Weight Watchers brand food products, including margarine, processed and natural cheeses, and mayonnaise. Later in the year, the company purchased all outstanding stock of Portion Pac Inc., a manufacturer of single-serve condiments for the foodservice industry. This acquisition extends the company's existing line of single-serve products and makes Heinz one of the market leaders in this growing business.

The company expanded its bakery operations in Canada with the purchase of W.P. Foods, a leading producer of frozen unbaked pie and tart shells. Also in Canada, the company purchased Shady Maple Farm Ltd., a producer of pure maple syrup and other maple products. The total purchase price for all of the company's 1989 acquisitions, net of cash acquired, was \$171.4 million.

During Fiscal 1989, the company sold its chilled salad business in Europe and a poultry processor in Canada. Neither of these divestitures had a material impact on the results of operations.

In Fiscal 1988, the company made numerous acquisitions. The company's position in pet food was strengthened by acquiring three separate businesses: Mavar Shrimp & Oyster Company, Inc. (canned and dry pet food); California Home Brands Holdings, Inc. (canned dog and cat food); and Champion Valley Farms, Inc. (canned dog food and training treats). The company

moved into new areas with the purchase of Pro Pastries Inc. and Pro Bakers Ltd. (frozen unbaked pastries) and Friteco, Inc. (automated french fry vending machines).

Also in Fiscal 1988, the company continued its geographic expansion program overseas by making acquisitions in Asia, Europe and Africa. Through a joint venture in Thailand, the company purchased the majority share of Win Chance Foods Company Ltd. In Botswana, Kgalagadi Soap Industries (KSI) was acquired in March 1988. KSI is Botswana's sole producer of toilet and laundry soaps. European operations were expanded with two purchases: S. Orlando S.A., a Spanish producer of tomato-based condiments, and certain assets of Judice Fialho, a Portuguese producer of canned sardines. The total purchase price for all Fiscal 1988 acquisitions, net of cash acquired, was \$309.5 million.

During 1988, the company sold Stanley Wine Company, an Australian producer of wine and wine cooler products, and several other small companies. None of the sales had a material impact on the consolidated financial results.

### **Liquidity and Capital Resources**

Return on average shareholders' equity improved for the eleventh consecutive year, reaching 26.1% in 1989 from 25.8% in 1988 and 24.6% in 1987. Pretax return on average invested capital also improved during the year to 31.4% from 30.0% in 1988 and 29.5% in 1987.

Cash provided by operating activities in 1989 was \$416.3 million, compared to \$567.2 million in 1988. Receivables increased \$69.8 million, primarily due to higher sales. An additional \$134.6 million was spent on building inventory in 1989 to support higher sales volume and the restructuring of operations, particularly pet food.

Investing activities in 1989 required \$375.6 million, compared to \$349.1 million in 1988. Capital expenditures increased \$85.1 million to \$323.3 million, and were directly related to productivity improvements and growth-related expansion at existing facilities. It is expected that capital expenditures in 1990 will continue at present levels. Cash totaling \$167.5 million was spent on acquisitions in 1989, compared to \$287.6 million in 1988. Divestitures provided \$72.7 million of cash in 1989, compared to \$18.9 million in the previous year.

Cash used for financing activities declined by \$409.6 million to \$5.5 million in 1989. The change is primarily attributable to a net increase in cash from both long- and short-term borrowings of \$241.7 million in 1989, compared to a net reduction of \$162.0 million in 1988 (as a result of the repayment of debt using short-term investments).

In June 1988, the company issued Australian \$100.0 million of 12½% unsecured notes due in 1992. The proceeds of this issue were swapped into floating rate

U.S. dollar debt based on commercial paper rates. The effective interest rate at May 3, 1989 was 9.4%. In August 1988, the company's United Kingdom subsidiary completed the borrowing of New Zealand \$150.0 million in the form of 13.8% bank loans due 1991 through 1994. The loans are guaranteed by the company and have been swapped into floating rate sterling debt that is based on the sterling LIBOR rate (13.6% as of May 3, 1989).

In January 1989, the company called all of its 7¼% convertible subordinated debentures due 2015. The total principal amount outstanding of the issue was \$40.6 million. The holders of the outstanding debentures elected to convert their debentures into approximately 1.2 million common shares of the company at the conversion price of \$35.19 per share. As a result, long-term debt was reduced by \$34.7 million, the outstanding principal amount less the unamortized debt discount.

During the year, the board of directors authorized an increase in the quarterly dividends for common stock from 31 cents per share to 36 cents per share and also authorized the repurchase of up to 5 million shares of common stock. \$178.5 million was spent in Fiscal 1989 to pay dividends, an increase of \$23.9 million over 1988. \$97.5 million was spent in Fiscal 1989 to repurchase 2.1 million shares of common stock. The company intends to reissue repurchased shares upon the exercise of stock options and conversion of preferred stock. In 1988, the company purchased 2.7 million shares of common stock for \$123.5 million under a previously authorized share repurchase program.

As of May 3, 1989, the company had \$347.0 million in unused lines of credit (cancellable only after 390 days written notice), which are maintained primarily to support domestic commercial paper and bank borrowings. Accordingly, \$273.5 million of commercial paper and bank debt supported by such agreements was classified as long-term debt (\$235.2 million at April 27, 1988). In addition, the company has \$550.0 million of foreign and other domestic lines of credit available at year-end.

The ratio of debt to invested capital was 35.1% in 1989, 32.9% in 1988 and 38.6% in 1987.

The company's financial position continues to remain strong, enabling it to meet cash requirements for operations, capital expansion programs and dividends to shareholders.



### Segment and Geographic Data

The company is engaged principally in one line of business—processed food products—which represents over 90% of consolidated sales. The following table presents information about the company by geographic area. There were no material amounts of sales or transfers between geographic areas and no material amounts of United States export sales.

(in thousands of U.S. dollars)	Domestic	Foreign				Total	Worldwide
		Continental Europe	United Kingdom	Canada	Other		
<b>1989</b>							
<b>Sales</b>	<b>\$3,473,258</b>	<b>\$769,044</b>	<b>\$770,238</b>	<b>\$374,690</b>	<b>\$413,647</b>	<b>\$2,327,619</b>	<b>\$5,800,877</b>
<b>Operating income</b>	<b>467,702</b>	<b>124,046</b>	<b>104,542</b>	<b>46,530</b>	<b>60,670</b>	<b>335,788</b>	<b>803,490</b>
<b>Identifiable assets</b>	<b>2,379,610</b>	<b>566,180</b>	<b>548,564</b>	<b>234,856</b>	<b>272,597</b>	<b>1,622,197</b>	<b>4,001,807</b>
<b>Capital expenditures*</b>	<b>165,895</b>	<b>22,019</b>	<b>105,987</b>	<b>12,231</b>	<b>17,193</b>	<b>157,430</b>	<b>323,325</b>
<b>Depreciation expense</b>	<b>78,019</b>	<b>14,709</b>	<b>16,485</b>	<b>9,057</b>	<b>7,665</b>	<b>47,916</b>	<b>125,935</b>
<b>1988</b>							
Sales	\$3,052,583	\$789,056	\$743,840	\$317,929	\$340,822	\$2,191,647	\$5,244,230
Operating income	423,333	100,856	83,043	31,126	49,655	264,680	688,013
Identifiable assets	2,001,342	626,555	507,253	202,621	267,312	1,603,741	3,605,083
Capital expenditures*	114,947	19,580	73,064	15,332	15,342	123,318	238,265
Depreciation expense	75,544	14,315	15,050	7,639	6,877	43,881	119,425
<b>1987</b>							
Sales	\$2,780,923	\$673,186	\$626,733	\$292,070	\$266,574	\$1,858,563	\$4,639,486
Operating income	372,840	83,669	63,537	38,337	34,602	220,145	592,985
Identifiable assets	1,980,811	571,372	429,691	186,674	195,649	1,383,386	3,364,197
Capital expenditures*	101,927	15,834	42,509	13,475	10,985	82,803	184,730
Depreciation expense	65,932	11,203	10,541	6,460	5,082	33,286	99,218

\*Excludes net property, plant and equipment acquired through acquisitions.

### Stock Market Information

H.J. Heinz Company common stock is traded principally on the New York Stock Exchange and the Pacific Stock Exchange, under the symbol HNZ. The number of shareholders of record of the company's common stock as of June 20, 1989 approximated 36,100. The closing price of the common stock on the New York Stock Exchange composite listing on May 3, 1989 was \$50 $\frac{1}{2}$ .

Stock price information for common stock by quarter follows:

	Stock Price Range	
	High	Low
<b>1989</b>		
<b>First</b>	<b>\$42<math>\frac{1}{2}</math></b>	<b>\$38<math>\frac{1}{2}</math></b>
<b>Second</b>	<b>50</b>	<b>39<math>\frac{1}{2}</math></b>
<b>Third</b>	<b>48</b>	<b>43<math>\frac{1}{2}</math></b>
<b>Fourth</b>	<b>51<math>\frac{1}{2}</math></b>	<b>45<math>\frac{1}{2}</math></b>
<b>1988</b>		
First	\$ 50 $\frac{1}{2}$	\$ 42 $\frac{1}{2}$
Second	51 $\frac{1}{2}$	33 $\frac{1}{2}$
Third	43 $\frac{1}{2}$	35
Fourth	45	37 $\frac{1}{2}$

**CONSOLIDATED  
STATEMENTS OF  
INCOME AND  
RETAINED  
EARNINGS**

*H.J. Heinz Company and Subsidiaries*

*Fiscal Year Ended  
(in thousands except per share data)*

	<b>May 3, 1989 (53 weeks)</b>	<i>April 27, 1988 (52 weeks)</i>	<i>April 29, 1987 (52 weeks)</i>
<b>Consolidated Statements of Income:</b>			
Sales	<b>\$5,800,877</b>	\$5,244,230	\$4,639,486
Cost of products sold	<b>3,550,249</b>	3,212,580	2,858,096
Gross profit	<b>2,250,628</b>	2,031,650	1,781,390
Operating expenses	<b>1,447,138</b>	1,343,637	1,188,405
Operating Income	<b>803,490</b>	688,013	592,985
Interest income	<b>31,037</b>	39,850	37,790
Interest expense	<b>77,694</b>	73,995	50,978
Other expense, net	<b>31,942</b>	31,295	15,221
Income before income taxes	<b>724,891</b>	622,573	564,576
Provision for income taxes	<b>284,661</b>	236,559	226,070
Net Income	<b>\$ 440,230</b>	\$ 386,014	\$ 338,506
<b>Consolidated Statements of Retained Earnings:</b>			
Amount at beginning of year	<b>\$2,002,073</b>	\$1,770,632	\$1,564,581
Net income	<b>440,230</b>	386,014	338,506
Cash dividends:			
Common stock	<b>178,340</b>	154,418	132,278
Preferred stock	<b>134</b>	155	177
Amount at end of year	<b>\$2,263,829</b>	\$2,002,073	\$1,770,632
<b>Per Common Share Amounts:</b>			
Net income	<b>\$ 3.34</b>	\$ 2.91	\$ 2.47
Cash dividends	<b>\$ 1.39</b>	\$ 1.21	\$ 1.00½

*See Notes to Consolidated Financial Statements.*



**CONSOLIDATED  
STATEMENTS OF  
CASH FLOWS**

*H.J. Heinz Company and Subsidiaries*

<i>Fiscal Year Ended (in thousands)</i>	<b>May 3, 1989</b>	<i>April 27, 1988</i>	<i>April 29, 1987</i>
<b>Operating Activities:</b>			
Net income	<b>\$ 440,230</b>	\$ 386,014	\$ 338,506
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	<b>148,104</b>	133,348	109,868
Deferred tax provision	<b>65,271</b>	27,560	82,763
Other items, net	<b>(45,454)</b>	(10,595)	20,109
Changes in current assets and liabilities net of effects from acquisitions and divestitures:			
Receivables	<b>(69,818)</b>	(72)	18,254
Inventories	<b>(134,582)</b>	(12,251)	(3,723)
Prepaid expenses and other current assets	<b>(13,650)</b>	19,908	(30,314)
Accounts payable	<b>25,290</b>	38,145	(11,240)
Accrued liabilities	<b>19,855</b>	18,940	44,645
Income taxes	<b>(18,929)</b>	(33,837)	(62,267)
Cash provided by operating activities	<b>416,317</b>	567,160	506,601
<b>Investing Activities:</b>			
Capital expenditures	<b>(323,325)</b>	(238,265)	(184,730)
Acquisitions, net of cash acquired	<b>(167,470)</b>	(287,597)	(85,918)
Proceeds from divestitures	<b>72,712</b>	18,880	—
Purchases of short-term investments	<b>(382,550)</b>	(513,408)	(434,328)
Sales and maturities of short-term investments	<b>412,365</b>	666,272	311,198
Other items, net	<b>12,627</b>	5,005	(48,079)
Cash (used for) investing activities	<b>(375,641)</b>	(349,113)	(441,857)
<b>Financing Activities:</b>			
Proceeds from long-term debt	<b>227,291</b>	45,108	322,777
Payments on long-term debt	<b>(34,683)</b>	(165,832)	(4,400)
Proceeds (payments) on short-term debt	<b>49,110</b>	(41,305)	(5,354)
Dividends	<b>(178,474)</b>	(154,573)	(132,455)
Purchase of treasury stock	<b>(97,508)</b>	(123,519)	(236,165)
Exercise of stock options	<b>30,393</b>	23,463	9,118
Other items, net	<b>(1,590)</b>	1,589	3,169
Cash (used for) financing activities	<b>(5,461)</b>	(415,069)	(43,310)
Effect of exchange rate changes on cash and cash equivalents	<b>(8,098)</b>	280	(3,727)
Net increase (decrease) in cash and cash equivalents	<b>27,117</b>	(196,742)	17,707
Cash and cash equivalents at beginning of year	<b>75,488</b>	272,230	254,523
Cash and cash equivalents at end of year	<b>\$ 102,605</b>	\$ 75,488	\$ 272,230

*See Notes to Consolidated Financial Statements*

**CONSOLIDATED  
BALANCE SHEETS**

*H.J. Heinz Company and Subsidiaries*

<i>Assets (dollars in thousands)</i>	<b>May 3, 1989</b>	<i>April 27, 1988</i>
<b>Current Assets:</b>		
Cash and cash equivalents	<b>\$ 102,605</b>	\$ 75,488
Short-term investments, at cost which approximates market	<b>135,124</b>	177,358
Receivables (net of allowances of \$9,660 and \$7,502)	<b>507,475</b>	491,903
Inventories:		
Finished goods and work-in-process	<b>616,703</b>	561,899
Packaging material and ingredients	<b>285,998</b>	235,250
	<b>902,701</b>	797,149
Prepaid expenses and other current assets	<b>127,281</b>	122,511
Total current assets	<b>1,775,186</b>	1,664,409
<b>Property, Plant and Equipment:</b>		
Land	<b>40,394</b>	42,198
Buildings and leasehold improvements	<b>440,832</b>	412,433
Equipment, furniture and other	<b>1,702,880</b>	1,571,092
	<b>2,184,106</b>	2,025,723
Less accumulated depreciation	<b>818,083</b>	771,784
Net property, plant and equipment	<b>1,366,023</b>	1,253,939
<b>Other Noncurrent Assets:</b>		
Investments, advances and other assets	<b>255,221</b>	205,063
Goodwill (net of amortization of \$38,413 and \$35,775)	<b>390,016</b>	344,480
Other intangibles (net of amortization of \$33,998 and \$26,890)	<b>215,361</b>	137,192
Total assets	<b>\$4,001,807</b>	\$3,605,083

*See Notes to Consolidated Financial Statements.*



*Liabilities and Shareholders' Equity (dollars in thousands)***May 3, 1989***April 27, 1988***Current Liabilities:**

Short-term debt	<b>\$ 245,941</b>	\$ 232,263
Portion of long-term debt due within one year	<b>22,900</b>	23,679
Accounts payable	<b>407,050</b>	397,075
Salaries and wages	<b>75,470</b>	78,849
Accrued marketing	<b>79,902</b>	78,217
Other accrued liabilities	<b>230,358</b>	204,182
Income taxes	<b>54,281</b>	60,423
Total current liabilities	<b>1,115,902</b>	1,074,688

**Long-Term Debt and Other Liabilities:**

Long-term debt	<b>693,480</b>	524,388
Deferred income taxes	<b>281,489</b>	262,331
Other	<b>133,698</b>	149,820
	<b>1,108,667</b>	936,539

**Shareholders' Equity:**

## Capital stock:

Third cumulative preferred, \$1.70 first series, \$10 par value	<b>757</b>	842
Common stock, 143,700,000 shares issued, \$.25 par value	<b>35,925</b>	35,925
	<b>36,682</b>	36,767
Additional capital	<b>145,590</b>	135,885
Retained earnings	<b>2,263,829</b>	2,002,073
Cumulative translation adjustments	<b>(89,205)</b>	(33,131)
	<b>2,356,896</b>	2,141,594
Less treasury shares, at cost (15,218,615 shares at May 3, 1989 and 16,081,931 shares at April 27, 1988)	<b>579,658</b>	547,738
Total shareholders' equity	<b>1,777,238</b>	1,593,856
Total liabilities and shareholders' equity	<b>\$4,001,807</b>	\$3,605,083

**NOTES TO  
CONSOLIDATED  
FINANCIAL  
STATEMENTS**

*H.J. Heinz Company and Subsidiaries*

**1. Significant Accounting Policies**

**Fiscal Year:** The company operates on a fiscal year ending the Wednesday nearest April 30. However, certain foreign subsidiaries have earlier closing dates to facilitate timely reporting. Fiscal years for the financial statements included herein ended May 3, 1989, April 27, 1988 and April 29, 1987.

**Principles of Consolidation:** The consolidated financial statements include the accounts of the company and its domestic and foreign subsidiaries. All significant intercompany accounts and transactions were eliminated. Certain reclassifications were made to prior years' amounts to conform with the 1989 presentation.

**Translation of Foreign Currencies:** The financial position and results of operations of the company's foreign subsidiaries are measured generally using local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rate in effect at each year-end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included in the cumulative translation adjustment account in shareholders' equity.

**Inventories:** Inventories are stated at the lower of cost or market. Cost is determined principally under the average cost method.

**Property, Plant and Equipment:** Land, buildings and equipment are recorded at cost. For financial reporting purposes, depreciation is provided on the straight-line method over the estimated useful lives of the assets. Accelerated depreciation methods are generally used for income tax purposes. Expenditures for new facilities and improvements which substantially extend the capacity or useful life of an asset are capitalized. Ordinary repairs and maintenance are expensed as incurred. When property is retired or otherwise disposed, the cost and related depreciation are removed from the accounts and any related gains or losses are included in income.

**Income Taxes:** Deferred income taxes result primarily from timing differences between financial and tax reporting.

The company has not provided for possible U.S. taxes on the undistributed earnings of foreign subsidiaries that are considered to be reinvested indefinitely. Where it is contemplated that earnings will be remitted, credit for foreign taxes already paid generally will offset applicable U.S. income taxes; in cases where they will not offset U.S. income taxes, appropriate provisions are included in the Consolidated Statements of Income.

In December 1987, the FASB issued Statement No. 96, "Accounting for Income Taxes." The statement requires the use of the liability method of accounting for deferred income taxes and must be implemented no later than Fiscal 1991. The company estimates that the implementation of the statement will not have a material impact on its financial position.

**Net Income Per Common Share:** Net income per common share has been computed by dividing income applicable to common shareholders by the weighted average number of shares of common stock outstanding and common stock equivalents during the respective years.

**Intangibles:** Goodwill and other intangibles arising from acquisitions are being amortized on a straight-line basis over periods not exceeding 40 years. The company regularly reviews the individual components of the balances and recognizes, on a current basis, any diminution in value.

**Statements of Cash Flows:** In 1989, the company adopted FASB Statement No. 95, "Statement of Cash Flows." The Consolidated Statements of Changes in Financial Position for fiscal years 1988 and 1987 have been restated to conform with the new presentation. For purposes of the Statements of Cash Flows, cash equivalents are defined as short-term highly liquid investments with original maturities of 90 days or less.

**Business Segment Information:** Information concerning business segment and geographic data is in the Financial Review.



## 2. Acquisitions and Divestitures

In September 1988, the company acquired substantially all of the assets of Nutrition Industries Corporation, a licensee of Weight Watchers brand food products, relating to margarine, processed and natural cheeses, mayonnaise, and other food products.

In January 1989, all outstanding shares of Portion Pac Inc. were purchased. Portion Pac is a manufacturer and distributor of single-serve condiments for the foodservice industry. Several smaller foreign acquisitions were also completed during the year. The combined purchase price of the Fiscal 1989 acquisitions, net of cash acquired, was \$171.4 million.

The company completed several acquisitions during Fiscal 1988. In pet food operations, the company acquired the assets of Mavar Shrimp & Oyster Company, Inc., the pet food operations of California Home Brands Holdings, Inc., and all of the outstanding shares of Champion Valley Farms, a regional dog food producer. In addition, the company acquired a majority interest in S. Orlando S.A., a Spanish producer of tomato-based condiments. Several smaller acquisitions were also completed during the year. The combined purchase price, net of cash acquired, was \$309.5 million for the Fiscal 1988 acquisitions.

All acquisitions were accounted for under the purchase method; the purchase price was assigned to the net assets acquired based on their fair value on the date of acquisition. The results of operations of these companies are included in the Consolidated Statements of Income from the acquisition date forward. Pro forma results, assuming the acquisitions had been made at the beginning of each year presented, would not be materially different from the results reported.

Several business divestitures were made during fiscal years 1988 and 1989. These divestitures did not have a material effect on the company's results of operations or financial position.

## 3. Income Taxes

The following table summarizes the provision for federal and U.S. possessions, state and foreign taxes on income:

(in thousands)	1989	1988	1987
<b>Current:</b>			
Federal and U.S. possessions	\$105,118	\$107,163	\$ 76,396
State	23,004	22,512	11,589
Foreign	91,268	79,324	55,322
	<b>219,390</b>	<b>208,999</b>	<b>143,307</b>
<b>Deferred:</b>			
Federal and U.S. possessions	23,909	(8,624)	49,988
State	6,197	1,010	4,750
Foreign	35,165	35,174	28,025
	<b>65,271</b>	<b>27,560</b>	<b>82,763</b>
Total tax provision	<b>\$284,661</b>	<b>\$236,559</b>	<b>\$226,070</b>
<b>Income before income taxes:</b>			
Domestic	\$416,654	\$384,572	\$367,876
Foreign	308,237	238,001	196,700
	<b>\$724,891</b>	<b>\$622,573</b>	<b>\$564,576</b>

Deferred taxes result principally from depreciation and prefunded employee benefits.

The company's consolidated United States income tax returns have been audited by the Internal Revenue Service for all years through 1985.

Undistributed earnings of foreign subsidiaries, which are considered permanently reinvested, were \$596.1 million at May 3, 1989.

The differences between the United States statutory tax rate and the effective rate are as follows:

	1989	1988	1987
United States statutory tax rate	34.0%	36.0%	46.0%
Tax on income of foreign subsidiaries	3.0	4.6	(1.3)
Tax on income of U.S. possessions subsidiaries	(2.1)	(5.9)	(5.5)
State income taxes (net of federal income tax benefit)	2.7	2.4	1.6
Other	1.7	.9	(.8)
Consolidated effective tax rate	<b>39.3%</b>	<b>38.0%</b>	<b>40.0%</b>

#### 4. Debt

<i>Short-Term (dollars in thousands)</i>			1989	1988
<b>Amount outstanding at year-end:</b>				
Bank and other borrowings			<b>\$245,941</b>	\$232,263
<i>Long-Term (dollars in thousands)</i>			1989	1988
	<i>Range of Interest</i>	<i>Maturity (fiscal year)</i>		
<b>United States Dollars:</b>				
Commercial paper	Variable	1991	<b>\$273,525</b>	\$235,221
Convertible subordinated debentures	7½%	2001-2015	—	34,756
Eurodollar bonds	7½	1997	<b>75,000</b>	75,000
Debentures	7½	1998	<b>2,789</b>	2,789
Revenue bonds	5½-11½	1990-2016	<b>79,025</b>	79,195
Promissory notes	6½-12	1990-2000	<b>26,929</b>	20,510
Other	4-10	1990-2000	<b>8,195</b>	24,497
			<b>465,463</b>	471,968
<b>Foreign Currencies (U.S. dollar equivalents):</b>				
Promissory notes:				
Australian dollars	12½	1991	<b>29,660</b>	26,311
Italian lire	6½-17½	1990-1997	<b>9,061</b>	15,496
New Zealand dollars	Variable	1991-1994	<b>99,495</b>	—
Australian dollars	Variable	1992	<b>79,000</b>	—
Other	7½-23½	1990-1997	<b>33,701</b>	34,292
			<b>250,917</b>	76,099
Total long-term debt			<b>716,380</b>	548,067
Less portion due within one year			<b>22,900</b>	23,679
			<b>\$693,480</b>	\$524,388

The amount of long-term debt, excluding commercial paper, required to be retired in each of the four years succeeding 1990 is: \$50.2 million in 1991, \$98.6 million in 1992, \$52.9 million in 1993, and \$114.9 million in 1994.

The commercial paper is supported by long-term line of credit agreements totaling \$347.0 million, cancellable only after 390 days written notice. The commercial paper had a weighted average interest rate during the year of 8.5% and at year-end of 9.8%. In addition, the company has \$550.0 million of foreign and other domestic lines of credit available at year-end, principally for overdraft protection.

The Eurodollar bonds include warrants to purchase an additional \$75.0 million of 7½% bonds prior to October 2, 1990.

In June 1988, the company issued Australian \$100.0 million of 12½% unsecured notes due in 1992. The proceeds of this issue were swapped into floating rate U.S. dollar debt based on commercial paper rates. The effective interest rate at May 3, 1989 was 9.4%.

In August 1988, the company's United Kingdom subsidiary completed the borrowing of New Zealand

\$150.0 million in the form of 13.8% bank loans due 1991 through 1994. The loans are guaranteed by the company and have been swapped into floating rate sterling debt that is based on the sterling LIBOR rate (13.6% as of May 3, 1989).

In January 1989, the company called all of its 7½% convertible subordinated debentures due 2015. The principal amount outstanding at the time of redemption was \$40.6 million. The holders of the outstanding debentures elected to convert their debentures into approximately 1.2 million shares of the company's common stock at the conversion price of \$35.19 per share. As a result, long-term debt was reduced by \$34.7 million, the outstanding principal amount less the unamortized debt discount.



### 5. Capital Stock, Additional Capital and Cumulative Translation Adjustments

Information related to stock issued and in treasury, and to additional capital follows:

(in thousands)	Cumulative Preferred Stock	Common Stock				
	Third, \$1.70 First Series \$10 par	Issued		In Treasury		Additional Capital
	Amount	Amount	Shares	Amount	Shares	Amount
Balance April 30, 1986	\$1,141	\$ 71,850	143,700	\$ 227,374	10,283	\$ 85,882
Reacquired	—	—	—	236,165	5,471	—
Conversion of preferred into common stock	(171)	—	—	(1,295)	(77)	(1,124)
Stock options exercised	—	—	—	(10,430)	(619)	4,763
Reduction in par value of common stock	—	(35,925)	—	—	—	35,925
Other, net	—	—	—	166	3	—
Balance April 29, 1987	\$ 970	\$ 35,925	143,700	\$ 451,980	15,061	\$ 125,446
Reacquired	—	—	—	123,519	2,703	—
Conversion of preferred into common stock	(128)	—	—	(972)	(58)	(843)
Stock options exercised	—	—	—	(27,598)	(1,638)	11,013
Other, net	—	—	—	809	14	269
Balance April 27, 1988	<b>\$ 842</b>	<b>\$ 35,925</b>	<b>143,700</b>	<b>\$ 547,738</b>	<b>16,082</b>	<b>\$ 135,885</b>
Reacquired	—	—	—	97,508	2,056	—
Conversion of preferred into common stock	(85)	—	—	(693)	(38)	(608)
Conversion of 7½% subordinated debentures	—	—	—	(30,906)	(1,150)	3,784
Stock options exercised	—	—	—	(35,379)	(1,756)	6,293
Other, net	—	—	—	1,390	25	236
<b>Balance May 3, 1989</b>	<b>\$ 757</b>	<b>\$ 35,925</b>	<b>143,700</b>	<b>\$ 579,658</b>	<b>15,219</b>	<b>\$ 145,590</b>
<b>Authorized Shares—May 3, 1989</b>	<b>76</b>	<b>—</b>	<b>600,000</b>	<b>—</b>	<b>—</b>	<b>—</b>

**Capital Stock:** The preferred stock outstanding is convertible at a rate of one share of preferred stock into 4.5 shares of common stock. The company can redeem the stock at \$28.50 per share.

In September 1986, the shareholders approved an increase to the authorized common stock of the company from 300,000,000 shares to 600,000,000 shares and to change the par value of the common stock from 50 cents per share to 25 cents per share.

On May 3, 1989, there were authorized, but unissued, 2,200,000 shares of third cumulative preferred stock for which the series had not been designated.

**Cumulative Translation Adjustments:** Changes in the cumulative translation component of shareholders' equity result principally from translation of financial statements of foreign subsidiaries into U.S. dollars. The reduction in shareholders' equity related to the translation component increased \$56.1 million in 1989, decreased \$54.9 million in 1988, and decreased \$48.0 million in 1987.

## 6. Supplemental Cash Flow Information

(in thousands)	1989	1988	1987
<b>Cash paid during the year for:</b>			
Interest	\$ 81,219	\$ 79,323	\$ 57,770
Income taxes	235,020	249,017	142,301
<b>Details of acquisitions:</b>			
Fair value of assets acquired	\$198,946	\$377,281	\$102,210
Liabilities assumed*	28,853	84,356	13,001
Cash paid	170,093	292,925	89,209
Less cash acquired	2,623	5,328	3,291
Net cash paid for acquisitions	\$167,470	\$287,597	\$ 85,918

\*Includes notes to seller.

In January 1989, the company issued 1.2 million shares of common stock in exchange for its 7¼% convertible subordinated debentures due 2015. As a result, long-term debt was reduced by \$34.7 million. Further information regarding the debt conversion is included in Note 4.

## 7. Employees' Stock Option Plans and Management Incentive Plans

Under the company's stock option plans, officers and other key employees may be granted options, each of which allows for the purchase of one share of the company's common stock. The option price on all outstanding options is equal to the fair market value of the stock at the date of grant.

The shares authorized but not granted under the company's stock option plans were 1,523,656 at May 3, 1989 and 6,247,326 at April 27, 1988.

Data regarding the company's stock option plans follows:

	Shares	Range of Option Price
Shares under option		
April 30, 1986	10,137,039	\$ 5¼-32¾
Options granted	3,811,284	42¼-45¾
Options exercised	(618,993)	5¼-42¾
Options surrendered	(23,000)	42¼-45¾
Shares under option		
April 29, 1987	13,306,330	\$ 5¼-45¾
Options granted	422,780	38-49
Options exercised	(1,637,860)	5¼-45¾
Options surrendered	(26,000)	32¾-45¾
Shares under option		
April 27, 1988	12,065,250	\$ 6¾-49
Options granted	4,742,170	41-50½
Options exercised	(1,756,291)	6¾-45¾
Options surrendered	(18,500)	27¾-45¾
Shares under option		
May 3, 1989	15,032,629	\$ 6¾-50½
Options exercisable at:		
April 27, 1988	10,631,210	
May 3, 1989	10,093,719	

Common stock reserved for options totaled 16,556,285 shares as of May 3, 1989 and 18,312,576 shares as of April 27, 1988.

The company's management incentive plans cover certain officers and other key employees of the company and its subsidiaries. Participants in the plans may elect to be paid on a current or deferred basis. The aggregate amount of all awards may not exceed certain limits in any year. Management incentive plans expense was \$23.1 million in 1989, \$23.3 million in 1988 and \$16.1 million in 1987.



## 8. Retirement Plans

The company maintains retirement plans for the majority of its employees. Benefits are based on years of service and compensation or stated amounts for each year of service. Plan assets are primarily invested in equities and fixed income securities. The company's funding policy for the U.S. plans is to contribute annually not less than the ERISA minimum funding standards or more than the maximum amount which can be deducted for federal income tax purposes. Generally, foreign plans are funded in amounts sufficient to comply with local regulations and ensure adequate funds to pay benefits to retirees as they become due.

Consolidated net pension costs consisted of the following:

<i>(in thousands)</i>	<b>1989</b>	<i>1988</i>	<i>1987</i>
Benefits earned during the year	<b>\$ 25,617</b>	\$ 28,955	\$ 13,753
Interest cost on projected benefit obligation	<b>71,059</b>	64,535	31,271
Actual return on plan assets	<b>(158,675)</b>	32,389	(71,612)
Net amortization and deferral	<b>67,014</b>	(118,378)	31,170
Net pension costs determined under SFAS No. 87	<b>5,015</b>	7,501	4,582
Pension costs not under SFAS No. 87	<b>-</b>	-	10,214
Consolidated net pension costs	<b>\$ 5,015</b>	\$ 7,501	\$ 14,796

The following table sets forth the combined funded status of the company's principal plans at May 3, 1989 and April 27, 1988.

<i>(in thousands)</i>	<b>1989</b>	<i>1988</i>
Actuarial present value of:		
Accumulated benefit obligation, primarily vested	<b>\$ 726,398</b>	\$ 705,778
Additional obligation for projected compensation increases	<b>138,064</b>	138,088
Projected benefit obligation	<b>864,462</b>	843,866
Plan assets	<b>958,201</b>	873,514
Plan assets in excess of projected benefit obligation	<b>93,739</b>	29,648
Unamortized prior service cost	<b>42,876</b>	27,471
Unamortized actuarial (gains) losses	<b>(9,365)</b>	66,290
Unamortized net assets at date of adoption	<b>(111,816)</b>	(131,683)
Prepaid (accrued) pension costs	<b>\$ 15,434</b>	\$ (8,274)

The following expected long-term rates of return on plan assets were used to determine pension costs accounted for under FASB Statement No. 87 for the years ended May 3, 1989, April 27, 1988 and April 29, 1987. The discount rates and long-term rates for compensation increases were used to estimate the present value of the projected benefit obligation as of the end of each year. The weighted average rates assumed were as follows:

	<b>1989</b>	<i>1988</i>	<i>1987</i>
Expected rates of return on plan assets	<b>9.7%</b>	9.2%	9.0%
Discount rates	<b>9.1%</b>	8.8%	8.6%
Compensation increase rates	<b>6.6%</b>	6.3%	6.1%

Assumptions for foreign plans are developed on a basis consistent with those for U.S. plans, adjusted for prevailing economic conditions.

In addition to providing pension benefits, the company and certain of its subsidiaries provide health care and life insurance benefits for retired employees. Substantially all of the company's U.S. and Canadian employees may become eligible for these benefits. The cost of retiree health care and life insurance benefits is expensed as incurred. These costs were \$4.2 million in 1989, \$3.3 million in 1988 and \$3.1 million in 1987.

## 9. Leases

Operating lease rentals for warehouse, production and office facilities and equipment amounted to approximately \$54.8 million in 1989, \$48.8 million in 1988 and \$42.3 million in 1987. Future lease payments for noncancellable operating leases as of May 3, 1989 totaled \$175.4 million (1990-\$31.1 million, 1991-\$26.1 million, 1992-\$21.0 million, 1993-\$17.8 million, 1994-\$15.4 million, and thereafter-\$64.0 million).

## 10. Legal Matters

Certain claims have been filed against the company or its subsidiaries and have not been finally adjudicated. These claims, when finally concluded and determined, in the opinion of management, based upon the information that it presently possesses, will not have a material adverse effect on the consolidated financial position.

## 11. Quarterly Results (Unaudited)

Summarized quarterly financial information follows:

(in thousands except per share amounts)	Sales	Gross Profit	Net Income	Per Share Amounts	
				Net Income	Dividends
<b>1989</b>					
<b>First</b>	<b>\$ 1,379,495</b>	<b>\$ 555,236</b>	<b>\$ 110,068</b>	<b>\$ .84</b>	<b>\$ .31</b>
<b>Second</b>	<b>1,424,639</b>	<b>555,857</b>	<b>109,927</b>	<b>.83</b>	<b>.36</b>
<b>Third</b>	<b>1,366,508</b>	<b>523,822</b>	<b>103,034</b>	<b>.78</b>	<b>.36</b>
<b>Fourth</b>	<b>1,630,235</b>	<b>615,713</b>	<b>117,201</b>	<b>.89</b>	<b>.36</b>
<b>Total</b>	<b>\$ 5,800,877</b>	<b>\$ 2,250,628</b>	<b>\$ 440,230</b>	<b>\$ 3.34</b>	<b>\$ 1.39</b>
<b>1988</b>					
<b>First</b>	<b>\$ 1,247,470</b>	<b>\$ 482,065</b>	<b>\$ 97,175</b>	<b>\$ .73</b>	<b>\$ .28</b>
<b>Second</b>	<b>1,275,068</b>	<b>487,656</b>	<b>96,046</b>	<b>.72</b>	<b>.31</b>
<b>Third</b>	<b>1,252,852</b>	<b>491,158</b>	<b>91,096</b>	<b>.69</b>	<b>.31</b>
<b>Fourth</b>	<b>1,468,840</b>	<b>570,771</b>	<b>101,697</b>	<b>.77</b>	<b>.31</b>
<b>Total</b>	<b>\$ 5,244,230</b>	<b>\$ 2,031,650</b>	<b>\$ 386,014</b>	<b>\$ 2.91</b>	<b>\$ 1.21</b>



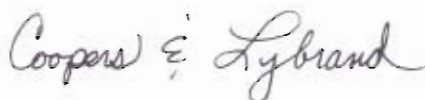
### Independent Accountants' Report

The Shareholders  
H.J. Heinz Company:

We have audited the accompanying consolidated balance sheets of H.J. Heinz Company and subsidiaries as of May 3, 1989 and April 27, 1988, and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended May 3, 1989. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of H.J. Heinz Company and subsidiaries as of May 3, 1989 and April 27, 1988, and the consolidated results of their operations and their cash flows for each of the three years in the period ended May 3, 1989 in conformity with generally accepted accounting principles.



Pittsburgh, Pennsylvania  
June 20, 1989

### Responsibility for Financial Statements

Management of H.J. Heinz Company is primarily responsible for the preparation of the financial statements and other information included in this annual report. The financial statements have been prepared in conformity with generally accepted accounting principles, incorporating management's best estimates and judgments, where applicable.

Management believes that the company's internal control systems provide reasonable assurance that assets are safeguarded, transactions are recorded and reported appropriately, and policies are followed. The concept of reasonable assurance recognizes that the cost of a control procedure should not exceed the expected benefits. Management believes that its systems provide this appropriate balance. An important element of the company's control systems is the ongoing program to promote control consciousness throughout the organization. Management's commitment to this program is emphasized through written policies and procedures (including a code of conduct), an effective internal audit function and a qualified financial staff.

The company engages independent public accountants who are responsible for performing an independent audit of the financial statements. Their report, which appears herein, is based on obtaining an understanding of the company's accounting systems and procedures and testing them as they deem necessary.

The company's Audit Committee is composed entirely of outside directors. The Audit Committee meets regularly, and when appropriate separately, with the independent public accountants, the internal auditors and financial management to review the work of each and to satisfy itself that each is discharging its responsibilities properly. Both the independent public accountants and the internal auditors have unrestricted access to the Audit Committee.

**ELEVEN-YEAR  
SUMMARY  
OF OPERATIONS AND  
RELATED DATA**

*H.J. Heinz Company and Subsidiaries*

*(dollars in thousands except per share data)*

	1989	1988	1987	1986
<b>Summary of Operations:</b>				
Sales	\$ 5,800,877	\$ 5,244,230	\$ 4,639,486	\$ 4,366,177
Cost of products sold	3,550,249	3,212,580	2,858,096	2,697,264
Interest expense	77,694	73,995	50,978	57,956
Provision for income taxes	284,661	236,559	226,070	197,594
Net income	440,230	386,014	338,506	301,734
Net income per common share	3.34	2.91	2.47	2.20
<b>Other Data:</b>				
Dividends paid:				
Common	178,340	154,418	132,278	117,351
per share	1.39	1.21	1.00½	.87½
Preferred	134	155	177	227
Average shares for earnings per share	131,784,034	132,705,945	136,834,666	137,315,701
Number of employees	36,200	39,000	37,500	36,400
Capital expenditures	323,325	238,265	184,730	206,331
Depreciation	125,935	119,425	99,218	85,524
Total assets	4,001,807	3,605,083	3,364,197	2,837,364
Total debt	962,321	780,330	876,620	540,588
Shareholders' equity	1,777,238	1,593,856	1,392,949	1,360,007
Pretax return on average invested capital (%)	31.4	30.0	29.5	31.0
Return on average shareholders' equity (%)	26.1	25.8	24.6	23.3
Book value per common share	13.82	12.47	10.81	10.17
Price range of common stock:				
High	51¼	51¼	50½	44
Low	38¾	33½	38¼	22½



	1985	1984	1983	1982	1981	1980	1979
\$	4,047,945	\$ 3,953,761	\$ 3,738,445	\$ 3,688,500	\$ 3,568,889	\$ 2,924,774	\$ 2,470,883
	2,532,776	2,489,513	2,400,973	2,432,944	2,372,759	1,947,443	1,654,606
	52,821	46,417	50,354	58,831	59,585	49,010	29,471
	179,325	164,725	136,122	106,145	126,879	59,583	72,164
	265,978	237,530	214,250	192,802	160,827	131,497	108,404
	1.93	1.70	1.51	1.37	1.16	.96	.79
	105,489	94,210	76,352	65,755	54,841	48,131	41,309
	.77½	.67½	.53½	.47	.40	.36	.31
	291	387	805	1,220	2,198	3,075	3,138
137,678,880	139,662,554	142,050,768	140,322,840	136,755,120	134,329,482	133,979,586	
	37,100	38,100	37,200	36,600	36,400	37,400	34,900
	158,830	136,971	111,385	140,451	128,604	98,061	111,623
	78,833	70,245	64,196	59,232	56,362	49,259	38,371
	2,473,774	2,342,970	2,178,693	2,129,570	2,039,578	1,936,736	1,607,181
	463,413	448,676	384,049	455,672	432,451	502,465	342,918
	1,230,454	1,120,659	1,139,610	1,029,830	944,668	843,839	755,599
	30.5	29.0	26.6	25.0	25.5	19.6	20.9
	22.6	21.0	19.8	19.5	18.0	16.4	15.1
	8.98	8.19	7.90	7.16	6.58	5.87	5.21
	24½	19½	15%	11%	9%	7%	7%
	16½	13%	9%	8%	6%	5%	5%

## WORLD LOCATIONS

H.J. Heinz Company

### World Headquarters

600 Grant Street  
Pittsburgh, Pennsylvania

### North America

#### Heinz U.S.A. Division

Established 1869  
Pittsburgh, Pennsylvania  
*William C. Springer*,  
President and Chief  
Executive Officer  
Factories:  
Cincinnati, Ohio  
Dallas, Texas  
Fremont, Ohio  
Gridley, California  
Holland, Michigan  
Leominster, Massachusetts  
Los Angeles, California  
Metcalfe, Mississippi  
Muscatine, Iowa  
Pittsburgh, Pennsylvania  
Stockton, California  
Tracy, California

#### Ore-Ida Foods, Inc.

Acquired 1965  
Boise, Idaho  
*Gerald D. Herrick*, President  
and Chief Executive Officer  
Factories:  
Burley, Idaho  
Greenville, Michigan  
Ontario, Oregon  
Plover, Wisconsin

#### Foodways National, Inc.

Acquired 1978  
Boise, Idaho  
*John C. Glenan*, Executive  
Vice President and Chief  
Operating Officer  
Factories:  
Massillon, Ohio  
West Chester, Pennsylvania  
Wethersfield, Connecticut

#### Ore-Ida Vended Products, Inc.

Acquired 1987  
Boise, Idaho  
*Lee R. Bondurant*, Vice  
President and Chief  
Operating Officer

#### Star-Kist Foods, Inc.

Acquired 1963  
Long Beach, California  
*Joseph J. Bogdanovich*,  
Chairman  
*J. Wray Connolly*, President  
and Chief Executive Officer

#### StarKist Seafood Company

Established 1988  
Long Beach, California  
*Keith A. Hauge*, President  
and Chief Executive Officer  
Cold Storage/Collection  
Stations:  
LePort, Reunion Island  
Port Louis, Mauritius

#### Star-Kist Caribe, Inc.

Acquired 1963  
*Latterence Krogsdale*,  
General Manager  
Factory:  
Mayaguez, Puerto Rico

#### Star-Kist International S.A.

Acquired 1963  
Panama City, Panama  
Factory/Collection  
Stations:  
Abidjan, Ivory Coast  
Tema, Ghana

#### Star-Kist Foods Canada, Inc.

Acquired 1981  
*Ian C. Glen*, President  
Factory:  
St. Andrews,  
New Brunswick

#### Heinz Pet Products Company

Established 1988  
Long Beach, California  
*William R. Johnson*,  
President and Chief  
Executive Officer  
Factories:  
Biloxi, Mississippi  
Bloomsburg, Pennsylvania  
Camp Hill, Pennsylvania  
El Paso, Texas  
Muscatine, Iowa  
Pascagoula, Mississippi  
Perham, Minnesota  
San Leandro, California  
Terminal Island, California  
Weirton, West Virginia  
Wilmington, California

#### Weight Watchers International, Inc.

Acquired 1978  
Jericho, New York  
*Albert Lippert*, Chairman  
*Charles M. Berger*, President  
and Chief Executive Officer

#### Cardio-Fitness Corporation

Acquired 1985  
New York, New York  
*Jerome Zuckerman*,  
President

#### The Fitness Institute

Acquired 1988  
Willowdale, Ontario  
*John A. Wildman*, Chief  
Operating Officer

#### The Hubinger Company

Acquired 1975  
Keokuk, Iowa  
*Bruce W. Brown*, President  
and Chief Executive Officer  
Factory:  
Keokuk, Iowa



**H.J. Heinz Company of Canada Ltd**  
Established 1909  
Toronto, Ontario  
*Thomas D. Smyth*, Chairman  
*Andrew L. Barrett*, President  
Factory:  
Leamington, Ontario

**Pro Pastries Inc.**  
Acquired 1987  
Mississauga, Ontario  
*Andrew L. Barrett*, Chairman  
*Edward A. Krucker*, President  
Factories:  
Mississauga, Ontario  
St. Hubert, Quebec

**Pro Bakers Ltd.**  
Acquired 1987  
Buffalo, New York  
*Thomas D. Smyth*, Chairman  
*Edward A. Krucker*, President  
Factory:  
Buffalo, New York

**W.P. Foods**  
Acquired 1988  
*Andrew L. Barrett*, Chairman  
*James Barker*, President  
Factories:  
Edmonton, Alberta  
Brampton, Ontario

**Shady Maple Farm Ltd.**  
Acquired 1989  
*Andrew L. Barrett*, Chairman  
*Gary F. Coppola*, President  
Factory:  
LaGuadeloupe, Quebec

**Caribbean Restaurants, Inc.**  
Acquired 1976  
San Juan, Puerto Rico  
*F. Gerardo Larrea*, President

**Fruit Drinks, Inc.**  
Acquired 1984  
San Juan, Puerto Rico  
*F. Gerardo Larrea*, President  
Factory:  
Salinas, Puerto Rico

**Frutsi Concentrate Company**  
Established 1987  
San Juan, Puerto Rico  
*F. Gerardo Larrea*, President  
Factory:  
Salinas, Puerto Rico

**BMJ Foods P.R. Inc.**  
Acquired 1989  
San Juan, Puerto Rico  
*F. Gerardo Larrea*, Chairman  
*Samuel H. Jové*, President

**Latin American Area Office**  
Mexico City, Mexico  
*Manuel Albarran*, Area Director

**Jugos del Valle, S.A. de C.V.**  
Acquired 1978  
Tepozotlan, Mexico  
*F. Garcia Medrano*, President

#### South America

**Alimentos Heinz C.A.**  
Established 1959  
Caracas, Venezuela  
*John M. Werner*, President  
Factory:  
San Joaquin, Carabobo

#### Europe

**H.J. Heinz Company Ltd.**  
Established 1905  
Hayes, Middlesex, England  
*John F. Hinch*, Managing Director  
Factories:  
Harlesden (London)  
Kitt Green

**W. Darlington and Sons Ltd.**  
Acquired 1969  
Rustington, Sussex, England  
*John F. Hinch*, Chairman  
Farms:  
Angmering  
Bradford-on-Avon  
Camberley  
Horley  
Poling  
Rusington  
Woking

**Somycel S.A.**  
Established 1973  
Paris, France  
*John F. Hinch*, President

**Montrose Canned Foods Ltd.**  
Established 1983  
Hayes, Middlesex, England  
*John F. Hinch*, Chairman

**Heinz Italia S.p.A.**  
Acquired 1963  
Milan, Italy  
*Luigi Ribolla*, Managing Director

**Plada (Plasmon Dietetici Alimentari S.p.A.)**  
Acquired 1963  
Milan, Italy  
*Luigi Ribolla*, President and Managing Director  
Factories:  
Latina  
Milan  
Ozzano Taro

**Liven International S.p.A.**  
Acquired 1978  
Milan, Italy  
*Luigi Ribolla*, Sole Administrator  
Factory:  
San Stino di Livenza (Venice)

**Speriani S.p.A.**  
Acquired 1981  
Cremona, Italy  
*Luigi Ribolla*, President  
*Gianfranco Pantaloni*, Managing Director  
Factory:  
Cremona

**Scaramellini S.p.A.**  
Acquired 1986  
Chiavenna, Italy  
*Luigi Ribolla*, President  
*Lorenzo and Franco Moro*, Managing Directors  
Factories:  
Chiavenna  
Gordona

**S.A. H.J. Heinz Central Europe N.V.**

Established 1984  
Brussels, Belgium  
*Jean-Claude Jamar*,  
Managing Director

□ **H.J. Heinz B.V.**  
Acquired 1958  
Elst, Gelderland,  
The Netherlands  
*Jan Eenhoorn*, Director  
*Antonie F. Hulst*,  
Director  
*Jean-Claude Jamar*,  
Director  
Factory:  
Elst

□ **H.J. Heinz Branch Belgium**  
Established 1984  
Brussels, Belgium  
*Jean-Claude Jamar*,  
Legal Representative

□ **H.J. Heinz S.A.R.L.**  
Established 1979  
Paris, France  
*Jean-Claude Jamar*,  
Gérant

□ **H.J. Heinz GmbH**  
Established 1970  
Cologne, West Germany  
Management Group:  
*Jan Eenhoorn*  
*Jean-Claude Jamar*

**Heinz Iberica S.A.**  
Chartered 1987  
Madrid, Spain  
*Luigi Ribolla*, President

□ **S. Oriando S.A.**  
Acquired 1987  
Madrid, Spain  
*Luigi Ribolla*,  
Vice President  
*Claudio Serafini*,  
Director General  
Factories:  
Alfaro  
Bermeo  
Ejea de Los Caballeros

**IDAL (Industrias de Alimentacao Lda.)**

Acquired 1965  
Lisbon, Portugal  
*Jorge Giralt*, Managing  
Director  
Factory:  
Benavente

**Star-Kist Europe, Inc.**  
Established 1988  
Douarnenez, France  
*John Bodmer*, Managing  
Director

□ **Ets. Paul Paulet**  
Acquired 1981  
*Claude Cornu-Thenard*,  
President  
Factories:  
Douarnenez, France  
Pornic, France

□ **Marie Elisabeth—  
Produtos Alimentares,  
S.A.**  
Acquired 1988  
*Abner Brantley*,  
Managing Director  
Factories:  
Matosinhos, Portugal  
Peniche, Portugal

*Australia*

**H.J. Heinz Company  
Australia Ltd.**  
Established 1935  
Dandenong, Victoria  
*Terence Ward*, Managing  
Director and Chief  
Executive Officer  
Factories:  
Dandenong, Victoria  
Greenseas Division:  
Eden, New South Wales  
Golden Days Natural  
Foods Division:  
Noble Park, Victoria

*Africa*

**Olivine Industries  
(Private) Limited**  
Acquired 1982  
Harare, Zimbabwe  
*Douglas N. Dibb*, Chairman  
*Rory W. Beattie*, Managing  
Director and Chief  
Executive Officer  
Factory:  
Harare

**Kgalagadi Soap Industries (Proprietary) Limited**

Acquired 1988  
Gaborone, Botswana  
*I. Laurie W. Bagshaw*,  
Managing Director  
Factory:  
Gaborone

*Asia/Pacific*

**Heinz Japan Ltd.**  
Established 1961  
Tokyo, Japan  
*Masahira Ogasaka*, President  
Factory:  
Utsunomiya

**Heinz-UFE Ltd.**  
Established 1984  
Guangzhou,  
Guangdong Province,  
People's Republic of China  
*Edward P.W. Tsang*,  
Director and General  
Manager  
Factory:  
Guangzhou

**Seoul-Heinz Ltd.**  
Established 1986  
Seoul, South Korea  
*Chung Taik Suh*, Chairman  
*Dietmar Kluth*, President  
and Representative Director  
Factory:  
Inchon

**Heinz Win Chance Ltd.**  
Established 1987  
Bangkok, Thailand  
*Ming-Der Guan*, Executive  
Director  
Factory:  
Bangplee

**Star-Kist Samoa, Inc.**  
Acquired 1963  
*Maurice Callaghan*,  
General Manager  
Factory:  
Pago Pago,  
American Samoa



## DIRECTORS AND OFFICERS

H.J. Heinz Company

### Board of Directors

*Anthony J.F. O'Reilly*, Chairman, President and Chief Executive Officer. Director since 1971. (1,3,6)

*Joseph J. Bogdanovich*, Vice Chairman. Director since 1963. (1,3,6)

*Nicholas F. Brady*, Former Chairman and Former Managing Director, Dillon, Read & Co., Inc., New York, New York. Director since 1987. (2,3,6)†

*J. Wray Connolly*, Senior Vice President. Director since 1985. (1)

*Paul I. Corddry*, Senior Vice President. Director since 1986. (1)

*Richard M. Cyert*, President, Carnegie Mellon University, Pittsburgh, Pennsylvania. Director since 1984. (2,3,4,6)

*R. Derek Finlay*, Senior Vice President-Corporate Development and Chief Financial Officer. Director since 1981. (1,5)

*Samuel C. Johnson*, Chairman, S. C. Johnson & Son, Inc., Racine, Wisconsin. Director since 1988. (2,4)

*Albert Lippert*, Chairman, Weight Watchers International, Inc. Director since 1978. (2,6)

*F. James McDonald*,

Director, Various Corporations. Director since 1977. (2,3,4)

*Richard B. Patton*, Senior Vice President. Director since 1982. (1)\*

*Herman J. Schmidt*, Director, Various Corporations. Director since 1977. (2,3,4,6)

*David W. Sculley*, Senior Vice President. Director since 1989. (1)\*\*

*Eleanor B. Sheldon*, Director, Various Corporations. Director since 1979. (2,4,6)

*William P. Snyder III*, President, The Wilpen Group, Inc., Pittsburgh, Pennsylvania. Director since 1961. (2,3,4)

*Karl M. von der Heyden*, Senior Vice President-Finance and Chief Financial Officer. Director since 1983. (1,5)‡

*S. Donald Wiley*, Senior Vice President, General Counsel and Secretary. Director since 1972. (1,5)

### Committees of the Board

- (1) Executive Committee
- (2) Management Development and Compensation Committee
- (3) Nominating Committee
- (4) Audit Committee
- (5) Investment Committee
- (6) Public Issues Committee

†Resigned September 1988

‡Resigned June 1989

\*Retired June 1989

\*\*Elected June 1989

### Officers

*Anthony J.F. O'Reilly*, Chairman, President and Chief Executive Officer

*Joseph J. Bogdanovich*, Vice Chairman

*J. Wray Connolly*, Senior Vice President

*Paul I. Corddry*, Senior Vice President

*R. Derek Finlay*, Senior Vice President-Corporate Development and Chief Financial Officer

*George C. Greer*, Vice President-Organization Development and Administration

*Lawrence J. McCabe*, Vice President and Associate General Counsel

*Richard B. Patton*, Senior Vice President\*

*Paul F. Renne*, Vice President-Finance and Treasurer

*Walter G. Schmid*, Vice President-Corporate Planning

*David W. Sculley*, Senior Vice President\*\*

*Karl M. von der Heyden*, Senior Vice President-Finance and Chief Financial Officer‡

*David R. Williams*, Vice President and Controller

*S. Donald Wiley*, Senior Vice President, General Counsel and Secretary

#### **Heinz: A Definition**

H.J. Heinz Company is a worldwide provider of processed food products and nutritional services. Heinz's varieties now number more than 3,000 and its business extends to loyal consumers in over 200 countries. The company's two strongest global brands are Heinz and Weight Watchers, which in the United States are joined by powerful names, such as Ore-Ida, StarKist, 9-Lives and many others. Heinz provides employment for approximately 36,200 people full-time, plus thousands of others on a part-time basis and during seasonal peaks. A Total Quality Management (TQM) process has been introduced to enhance an entrepreneurial spirit and quality culture and to make Heinz an even more dynamic company for the 1990s.

#### **Annual Meeting**

The annual meeting of the company's shareholders will be held at 2 p.m. on Wednesday, September 6, 1989 in Pittsburgh at the Vista International Hotel. Proxy materials and formal notice of the meeting will be sent to shareholders about August 1, 1989.

#### **Other Information**

The company submits an annual report to the Securities and Exchange Commission on Form 10-K. Shareholders may obtain a copy of this Form 10-K without charge by writing to: Corporate Affairs Department, H.J. Heinz Company, P.O. Box 57, Pittsburgh, PA 15230-0057.

The company will, upon written request addressed to the secretary of the company and upon the prepayment of reasonable charges, provide shareholders with a copy of the company's pension plan description, the latest annual report of the administrator, and the trust agreement or contract under which the plan is established, for any of the domestic pension plans of the company.

#### **Investor Information**

Securities analysts and investors seeking additional information about the company should contact John M. Mazur, assistant treasurer, at the World Headquarters address or should call him at (412) 456-6014.

#### **Corporate Data**

*Transfer Agent, Registrar and Disbursing Agent:* Mellon Bank, N.A., Pittsburgh, Pennsylvania

*Auditors:* Coopers & Lybrand, Pittsburgh, Pennsylvania

*Stock Listing:* New York Stock Exchange. Ticker Symbols—Common: HNZ; Third Cumulative Preferred: HNZ PR

Pacific Stock Exchange. Ticker Symbol—Common: HNZ

#### **Copies Of This Publication**

Additional copies of this publication are available from the Corporate Affairs Department at the World Headquarters address or by calling (412) 456-5783.

#### **Dividend Reinvestment**

The company offers an Automatic Dividend Reinvestment Service for shareholders. The plan provides for the reinvestment of quarterly dividends in shares of the company's common stock. Shareholders may also purchase additional shares under the plan with cash contributions. The company pays brokerage commissions and service charges under the plan.

For additional information regarding the dividend reinvestment plan contact:

Mellon Bank, N.A.  
P.O. Box 444  
Pittsburgh, Pennsylvania 15230  
(412) 391-5210

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H.J. Heinz Company  
P.O. Box 57  
Pittsburgh, Pennsylvania 15230-0057  
(412) 456-5700

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EXECUTIVE PORTRAIT: ALAN MACWEENEY  
PRODUCT ILLUSTRATION: MICHAEL SCHWAB



We thank all of the families who appear in this book. None of them is connected with Heinz, nor were they asked to speak about products. Some were chosen with the help of the Experiment in International Living (a global program matching families in living exchanges), others through the suggestions of friends. All were extraordinary in the way they welcomed us into their homes.

**Armidale, New South Wales, Australia 1**

Maurice and Robyn Tully and their children, Nikki, 7, Bret, 5, and Maurice's parents, Ross and Peg Tully.

Maurice and Robyn Tully own and operate Girrakool, a 6,000-acre sheep station located 39 kilometers outside of Armidale. Their children commute by bus to Armidale each day to attend public school.

**Durham, England 2**

Peter and Daphne Clarke and their children, Anna, 21, and Edward, 18.

Peter Clarke is an engineering professor and principal of St. Aidan's

College, Durham University. Daphne is involved with their church, the Brownies and other community activities. Their children both attend college.

**Cocconato, Italy 3**

Roberto and Carletta Bava, their daughter, Francesca, 10 months, and the entire Bava family.

Roberto Bava is the sixth generation of Bava wine makers. Together with his two brothers, father and grandfather, he runs Cantina Bava, which grows, bottles and distributes Piedmontese wines. Carletta Bava is a neurophysiotherapist currently at home with their young daughter.

**Tokyo, Japan 4**

Jun and Tsuguyo Hamana, their children, Katsura, 13, Junichiro, 12, Sayaka, 10, and Jun's mother, Tokiko Hamana.

Jun Hamana works as an environmental engineer in Tokyo, an hour's commute

from the family's suburban home. Tsuguyo runs a small day care center for children at their home. The three children bicycle to local schools. Tokiko is a retired nurse.

**Guangzhou, People's Republic of China 5**

Huang Zhi Jian and Lee Kwei Fun, their children, Huang Men Nung, 43, Huang Lee Ben, 41, Huang Mai Lee, 39, Huang Lee Kung, 37, Huang Men Chi, 34, and their grandchildren, Huang Hai Jun, 8, Huang Si Ling, 8, and Huang Si, 6.

Huang Zhi Jian is a professional artist and his wife Lee Kwei Fun is the retired headmistress of a textile school. They live with their youngest son, who is an art teacher, and his wife and daughter. Huang Si, their eldest son's boy, also lives with them and goes to a local school.

**Albuquerque, New Mexico, U.S.A. 6**

Mario and Linda Sanchez and their sons, Ruben, 12, and Adrian, 2.

Mario and Linda work together in a family-owned design and contracting business. Linda, a CPA,

will enter law school next year. Ruben is in the sixth grade at Albuquerque Academy and Adrian is in nursery school.

**Boston, Massachusetts, U.S.A. 7**

Elliot and Martha Rothman and their children, Sabine, 20, Adam and Erik, 18.

The Rothmans are both architects and work together in their own firm. Sabine is a college student and the twins, Adam and Erik, will begin college next year.

**Harare, Zimbabwe 8**

Caston and Pedia Nyawo and their children, Tsutsi, 15, Farai, 10, and Wadzanae, 7.

Caston and Pedia Nyawo were both trained as nurses. Caston is now a banker and Pedia owns and operates a supermarket. Their oldest daughter is in boarding school in Kadoma, two hours outside of Harare. Their two youngest children bicycle to local schools.



